

# Competition *policy brief*

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

## State aid Transparency for taxpayers

### 1. Why transparency?

Transparency is beneficial for society as a whole. It promotes accountability and provides an opportunity for citizens to be better informed about public policies. A better informed constituency helps create more effective dialogue between citizens and government and results in better policy decisions. In

recent decades, civil society and governments around the world<sup>1</sup> have made great advances in increasing transparency at both local and national levels. Yet we still need more meaningful participation and accountability, particularly when it comes to how public resources are allocated. Indeed, citizens have the right to know how their money is being spent.

Transparency is even more important in the area of State aid. Transparency promotes compliance, reduces

uncertainty and allows firms to check whether aid awards granted to competitors are legal. It promotes a level playing field across Member States and firms in the internal market, which is even more important in the present economic context. It facilitates enforcement by national and regional authorities by raising awareness on aid granted at various levels, hence ensuring better control and follow-up also at national and local

levels. Finally, more transparency means reporting obligations can be reduced, along with the administrative burden linked to them.

For all these reasons, transparency is a pillar of the State aid modernisation<sup>2</sup> (SAM) initiative. One of the main objectives of SAM is to enable the Commission to focus on the most distortive cases while leaving more flexibility to Member States to put in place less distortive aid. In this context, the expanded General Block Exemption Regulation<sup>3</sup> makes it possible to grant aid on the basis of pre-defined criteria with no need to notify to the Commission. This saves time, reduces the administrative burden, and helps promote models of good aid.

But with greater flexibility comes greater responsibility. Indeed, more room for Member States to carry out State aid policies has to be accompanied by appropriate safeguards to prevent distortions in the internal market. Transparency of aid awards is one such safeguard and a key component of the SAM package.

### 2. A gradual move toward greater State aid transparency

The move toward transparency of public subsidies started some time ago. However, technological progress, greater accountability for State aid policies and simplification in the State aid framework now allow for significant improvements.

The Commission already publishes the names of beneficiaries of notified individual aid and the amount of aid in its decisions<sup>4</sup>.

#### In a nutshell

Transparency in State aid modernisation means:

- all aid awards above €500 000 to be published on national or regional websites

- this contributes to increased scrutiny by competitors and by the public, leading to higher compliance

- existing reporting can be greatly simplified

<sup>1</sup> G8 Open Data Charter: "We agree to orient our governments towards open data by default."

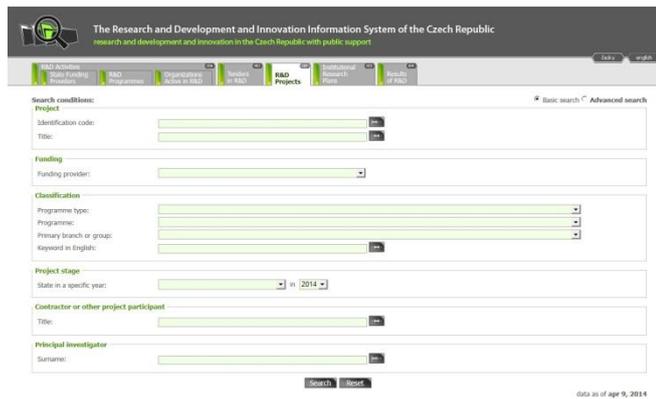
<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on EU State aid Modernisation, COM/2012/209, 08.05.2012.

<sup>3</sup> Commission Regulation (EU) No .../.. of XXX declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

<sup>4</sup> Commission communication on professional secrecy in State aid decisions, OJ C 297, 09.12.2003, p. 6-9.

However, there is no requirement for public information on beneficiaries of aid awarded under notified or block-exempted schemes (representing almost 90% of the total State aid spent in the EU<sup>5</sup>), except for large regional and R&D aid<sup>6</sup>.

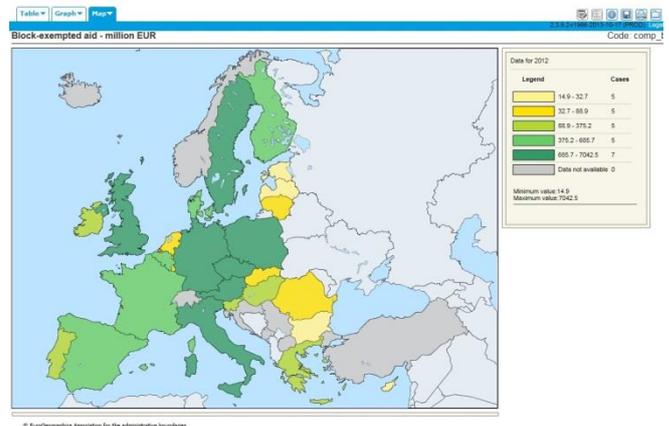
Some Member States have websites disclosing information on aid awards<sup>7</sup>, or otherwise provide information to the public<sup>8</sup>. Below is an example of such a search tool (for R&D in the Czech Republic).



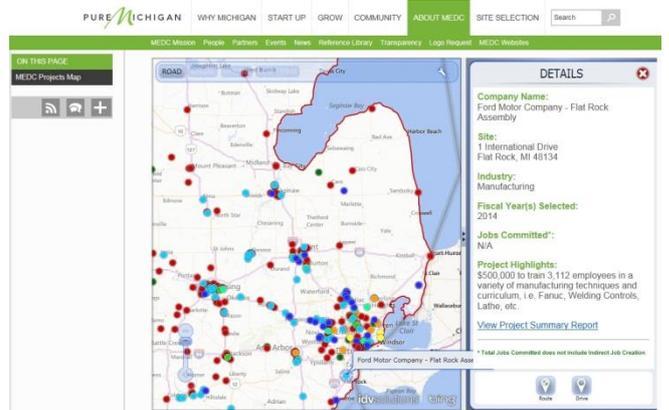
Moreover, Member States disclose full information on structural fund expenditures and their beneficiaries (regional development and employment). This applies also to Agricultural Policy and Fisheries. The following screenshot shows the Dutch website that publishes Cohesion, Agriculture and Fisheries projects co-financed with EU Funds.



Already today, Member States collect information on all State aid expenditures in the context of the annual reporting exercise set out in the Implementing Regulation<sup>9</sup>. This information<sup>10</sup> is then transmitted to the Commission for publication through the annual State aid Scoreboard and on the Eurostat website<sup>11</sup>. The example below shows the levels of block-exempted State aid in 2012.



Other jurisdictions are already implementing transparency on a large scale. In the United States, for instance, following a call from President Obama to strengthen transparency in public action, all federal grants and loans above \$25 000 are published on a single website<sup>12</sup>. Most US states publish, although not systematically, information on beneficiaries of public subsidies. This covers also tax benefits<sup>13</sup>. The screenshot below shows the webpage of the Michigan Economic Development Corporation programme.<sup>14</sup>



<sup>5</sup> See [http://ec.europa.eu/competition/state\\_aid/scoreboard/index\\_en.html](http://ec.europa.eu/competition/state_aid/scoreboard/index_en.html).

<sup>6</sup> See [http://ec.europa.eu/competition/state\\_aid/register/](http://ec.europa.eu/competition/state_aid/register/).

<sup>7</sup> See for instance in Estonia <http://www.fin.ee/riigiabi> or in the Czech Republic (for R&D) <http://www.isvav.cz/index.jsp>.

<sup>8</sup> Publication of information on public spending (e.g. introduced by Italy and being considered by Spain), general right to access to information on public spending (on request).

<sup>9</sup> Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty, OJ L 140, 30.04.2004.

<sup>10</sup> This information is transmitted in aggregated manner for schemes, and per individual beneficiaries for individual aid.

<sup>11</sup> See for instance [http://epp.eurostat.ec.europa.eu/tgm\\_comp/table.do?tab=table&plugin=1&language=en&rcode=comp\\_bex\\_sa\\_01](http://epp.eurostat.ec.europa.eu/tgm_comp/table.do?tab=table&plugin=1&language=en&rcode=comp_bex_sa_01).

<sup>12</sup> <http://www.usaspending.gov/>.

<sup>13</sup> See for instance <http://mapyourtaxes.mo.gov/MAP/TaxCredits/>.

<sup>14</sup> <http://www.michiganbusiness.org/projects/>.

### 3. Which information will be available and where?

As a condition for granting aid, Member States are requested to ensure transparency by establishing comprehensive State aid websites, at regional or national level, for publishing information on aid measures and their beneficiaries. Following standard practice on publication of information<sup>15</sup>, a standard format should be used, allowing the information to be searched, downloaded and easily published on the internet.

It has also been proposed that neither information on companies' tax bases nor the exact amount of their tax relief should be disclosed, to ensure tax confidentiality and protection of business secrets. However, since such derogations are selective, confer an advantage to undertakings and thus constitute State aid, accountability on the use of public resources and State aid control also has to be preserved. Accordingly, for aid granted under fiscal schemes or under risk finance schemes, ranges can be published instead of the exact amounts.

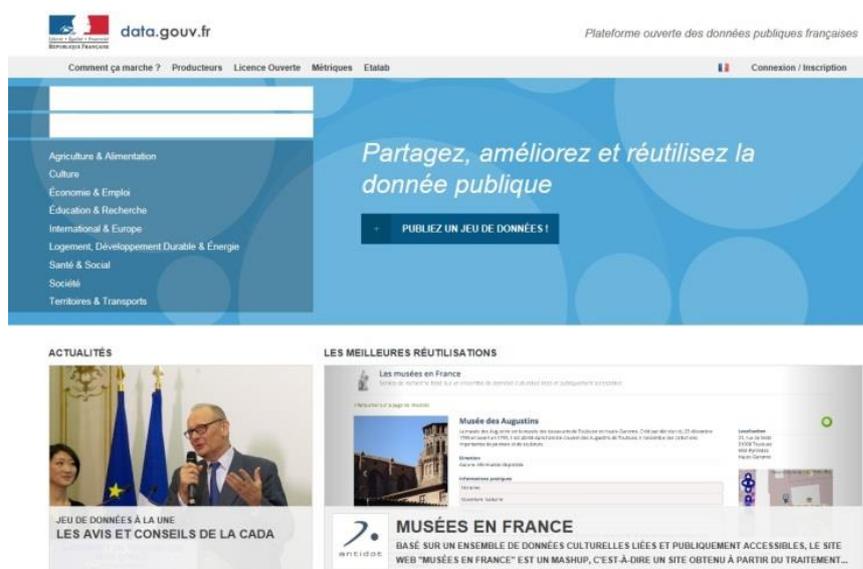
Except for smaller aid awards of less than EUR 500 000, this requirement applies to all State aid.

### 4. How will this be achieved?

Similar transparency provisions have now been introduced in the General Block Exemption Regulation and in the revised Guidelines.<sup>16</sup>

A transition period of two years<sup>17</sup> is foreseen to ensure that Member States without equivalent transparency mechanisms have sufficient time to put them in place. Existing IT infrastructures at national, regional and local level for State aid reporting (SARI<sup>18</sup>) will be further developed. This will facilitate collection and processing of information by Member States for subsequent publication on their websites.

In addition, technical support to Member State administrations can be provided, for instance via technical assistance available under European Structural and Investment Funds.



Member States could also publish this information through the open data portals<sup>19</sup> already set up in the context of the Digital Agenda. These portals, for example the French one<sup>20</sup> pictured here, cover a wide array of sectors and information for citizens, from real estate prices to public procurement.

#### As a citizen, what will I see?

- ☒ *the full text of the approved aid scheme or the individual aid-granting decision and its implementing provisions, or a link to it;*
- ☒ *the identity of the granting authority;*
- ☒ *the identity of the individual beneficiaries, the form and amount of aid granted to each beneficiary, the date of granting, the type of undertaking (SME / large company), the region in which the beneficiary is located (at NUTS level II) and the principal economic sector in which the beneficiary has its activities (at NACE group level).*

<sup>15</sup> See for instance Directive 2013/37/EU of the European Parliament and of the Council of 26 June 2013 amending Directive 2003/98/EC on the re-use of public sector information, OJ L 175 27.6.2013, p.1.

<sup>16</sup> [http://ec.europa.eu/competition/state\\_aid/modernisation/index\\_en.html](http://ec.europa.eu/competition/state_aid/modernisation/index_en.html).

<sup>17</sup> This means that the information on aid awards should be available on national or regional websites at the latest as from 1 July 2016.

<sup>18</sup> State Aid Reporting Interactive tool (SARI).

<sup>19</sup> <http://ec.europa.eu/digital-agenda/en/open-data-portals>.

<sup>20</sup> <http://www.data.gouv.fr/fr>.

## 5. Simpler reporting obligations

Greater transparency allows simpler reporting obligations. As a first step, the Commission proposes to remove most of the current reporting obligations set out in the Guidelines.

