ASSEMBLY OF THE REPUBLIC

European Affairs Committee

Opinion

COM(2010) 701 final

REPORT FROM THE COMMISSION

State Aid Scoreboard – Report on State aid granted by the EU Member States

Autumn 2010 Update

(SEC(2010) 1462 final)

I – Introduction

Under Article 6 of Act No 43/2006 of 25 August 2006 on monitoring, assessment and pronouncement by the Assembly of the Republic on matters relating to the construction of the European Union, the European Affairs Committee is the specialised standing parliamentary committee responsible for the overall monitoring and assessment of European affairs.

Acting within this remit and pursuant to Article 7 of the said Act, the European Affairs Committee forwarded the following legislative initiative to the Committee on Economic Affairs, Innovation and Energy, for its information and to give it the opportunity to issue a report (which it did):

COM(2010) 701 final

REPORT FROM THE COMMISSION

State Aid Scoreboard – Report on State aid granted by the EU Member States

Autumn 2010 Update

II – Analysis

1. According to the report in question, the autumn 2010 update of the State Aid Scoreboard ('the scoreboard') describes the situation in the 27 Member States in 2009 and presents a general overview of the levels of aid granted by the Member States and the objectives pursued by that aid.

2. The report includes a chapter on state aid granted to financial institutions and to the real economy in response to the financial and economic crisis.

3. The scoreboard also sets out the progress made towards delivering a comprehensive and coherent reform package for state aid that began with the State Aid Action Plan (SAAP) in 2005.

4. Finally, it notes achievements in the field of enforcement of state aid rules.

5. The document points out that, in the lead-up to the financial crisis, the EU was experiencing steady annual economic growth.

6. The financial crisis abruptly brought an end to the steady GDP growth, low levels of state aid and decreasing budget deficits seen since the year 2000.

7. When inter-bank lending dried up in September 2008, Member States started to inject large amounts of aid into the banking sector to ensure that lending to the economy could continue.

8. Guided by the Temporary Framework, Member States also started to ease business's financing constraints.

9. The European Commission's state aid policy was one of the key factors ensuring that this – generally successful – rescue process was achieved in a coordinated way. It allowed swift implementation of unprecedented support measures and ensured at the same time that the internal market was kept intact.

III – Conclusions

1. This opinion was drawn up in full accordance with Act No 43/2006 of 25 August 2006 which sets out the Assembly of the Republic's powers for monitoring, assessment and the issuing of opinions as part of the European Union integration process.

2. The report in question need not be examined in the light of the subsidiarity principle, as that principle does not apply to it.

3. The subjects covered do not therefore fall within the exclusive legislative competence of the Assembly of the Republic. Accordingly, Article 2 of Act No 43/2006 of 25 August 2006 does not apply.

Opinion

The European Affairs Committee is of the opinion that the scrutiny process has been completed regarding this initiative.

Palácio de São Bento, 4 April 2011

(signature)

Carlos S. Martinho,
Member of Parliament, Rapporteur

(signature)

Vitalino Canas,
Chairman

OPINION

(to be passed on to the Parliamentary Committee on European Affairs)

European initiative: COM(2010) 701

REPORT ON STATE AID GRANTED BY THE EU MEMBER STATES – AUTUMN 2010 UPDATE

(SEC(2010) 1462 FINAL)

Rapporteur: Isabel Sequeira, Member of Parliament (PSD)

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1. Procedure

In accordance with Article 7(1) of Act No 43/2006 of 25 August 2006 the ‘Report on State aid granted by the EU Member States – Autumn 2010 Update’ was sent to the Committee on Economic Affairs, Innovation and Energy on 2 December 2010 and circulated on that date for the possible issue of an opinion. The Portuguese version of this European initiative was sent to the Economic Affairs Committee on 13 January 2001.

2. Background

1. This autumn 2010 update of the State Aid Scoreboard describes the situation in the twenty-seven Member States in 2009. It presents an overview of aid levels and the objectives pursued by aid granted by Member States. The scoreboard reports on the progress towards delivering a comprehensive and coherent reform package for state aid that began with the State Aid Action Plan ("SAAP") in 2005. It also notes achievements in the field of enforcement of state aid rules.

2. In the lead-up to the financial crisis, the EU had been experiencing steady annual economic growth. Between 2002 and 2007, the level of state aid to industry and services decreased annually on average by 2% and stood at €65 billion – or less than 0.5% of GDP – in 2007. In parallel, budget deficits came down to an average of 0.8% of GDP in 2007 – the best result for thirty years. Unemployment fell during this period and stood at a long-time low of 7% EU-wide in 2008.

3. The financial crisis abruptly brought an end to the steady GDP growth, low levels of state aid and decreasing budget deficits seen since the year 2000. The overall level of state aid increased further in 2009 as compared to 2008 and stood at 3.6% of GDP, again as a result of crisis aid to the financial sector in particular. Aid to the real economy granted through the Temporary Framework, which Member States started to implement in 2009, was only a minor contributor to the overall increased aid volume.

4. When inter-bank lending dried up in September 2008, Member States started to inject large amounts of aid into the banking sector to ensure that lending to the economy could continue. Guided by the Temporary Framework, Member States also started to ease business's financing constraints.

5. The European Commission considers that its state aid policy was one of the key factors ensuring that this rescue process was achieved in a coordinated way and generally met with success. In its view, it allowed swift implementation of unprecedented support measures and ensured at the same time that the internal market was kept intact.

3. Subject-matter of the initiative

3.1. Grounds

1. The European Commission regularly reviews its state aid policy, analysing trends both in quantitative terms and as a percentage of GDP in the various Member

States. In so doing it tries to link up the trend in state aid with actual economic growth and with the need to adjust procedures in line with the requirements of the economy, the objectives pursued and the results achieved.

2. Although an excessive amount of state aid is seen as undermining the efficient allocation of resources and sapping the economy's competitiveness, the EU has used this instrument since the 1980s to stimulate growth in the single market by supporting specific activities, while ensuring that distortions of competition are kept to the bare minimum and that the market operates smoothly.

3.2. Content

1. Looking at the trend from a long-term perspective, the overall level of state aid in the 1980s was in the region of 2% of GDP, fell then to just below 1% in the 1990s and came down to around 0.5% - 0.6% of GDP in the years 2003-2007. As a result of the response to the financial and economic crisis, the overall EU-27 aid level increased significantly and stood, as noted above, at 3.6% of GDP in 2009.

2. Total state aid granted by the Member States in 2009 amounted to €427.2 billion or, in relative terms, 3.6% of EU-27 GDP. Of this total, €353.9 billion or 3% of EU-27 GDP related to crisis measures reported by Member States. In 2009, twenty-two Member States implemented crisis aid in favour of the financial sector (2.98% of EU-27 GDP). On 1 October 2010, all EU-15 Member States and Cyprus, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia had had financial crisis measures approved by the Commission and all Member States had granted aid under the Temporary Framework, except Cyprus.

3. If the crisis measures are excluded, total state aid amounted to around €73.2 billion in 2009 or 0.62% of EU-27 GDP. Aid to industry and services represented 79.3% of total State aid, that is €58.1 billion or 0.49% of EU-27 GDP. Aid to agriculture amounted to €11.6 billion (or 15.9% of total aid), aid to fisheries was €0.2 billion (0.3% of total aid) and aid to transport came to €3.3 billion (4.5% of total aid). Aid to railways is reported by Member States to amount to €33.1 billion or 0.3% of EU-27 GDP.

4. In absolute terms, the five largest grantors account for €39.8 billion or 68.2% of total aid. Germany accounted for €15.3 billion or 26.3% of total aid, followed by France (€11.7 billion; 20.1%), Spain (€4.9 billion; 8.4%), Italy (€4.6 billion; 7.9%), and the United Kingdom (€3.3 billion; 5.5%). A completely different picture emerges when looking at aid as a percentage of GDP: Malta granted aid representing 1.7% of GDP, followed by Hungary (1.0%), Portugal and Denmark (each 0.9%) and Sweden (0.8%).

3.3. Portugal's case

1. Portugal granted aid in 2009 to help combat the economic and financial crisis. However, the amount in question represented a smaller percentage of GDP than was the case in most of the EU-27 countries.

2. Most of the state aid granted in 2009 (81.1% of the total) was for the banking sector.

3. The percentage breakdown of state aid granted in Portugal in 2009 is summarised in the table below.

4.

Total (horizontal objectives)	**18.9**
Environment	0.2
Regional development	7.6
Research and development	3.3
SMEs	3.0
Vocational training	0.5
Employment aid	3.2
Other horizontal objectives (culture, natural disasters, social assistance, etc.)	1.1
Total sectoral aid	**81.1**
Financial sector	81.1

4. Regulatory framework

Under Article 108 of the Treaty on the Functioning of the European Union, the Commission has sole competence to assess the compatibility of aid measures, and the Member States are required to notify the Commission of all aid measures before they are put into effect. Detailed rules for the application of this Article are laid down in Council Regulation (EC) 659/1999 of 22 March 1999.

5. Compliance with the principle of subsidiarity

Not applicable.

6. Compliance with the principle of proportionality

Not applicable.

7. Opinion of the Rapporteur

It is particularly important that the impact of economic policy measures taken by the different countries of the European Union be assessed regularly. Only by analysing the results is it possible to gauge the need to increase support, modify procedures or plan future action. By assessing the trends in state aid before and after the crisis, this Commission report provides information that will serve as a basis for more timely and assertive action in future crises, so that the negative effects of such crises can be mitigated as far as possible.

8. Conclusions

1. Between 2002 and 2007 the EU experienced steady annual economic growth. During that period the level of state aid to industry and services decreased, budget deficits came down and unemployment fell.

2. The financial crisis reversed this trend, pushing up the overall amount of state aid, especially owing to the crisis aid granted to the financial sector, as the aid granted to the

real economy under the Temporary Framework was only a minor contributor to the overall increase in aid volume.

3. The need to speed up economic recovery in the Member States led to the adoption of rapid response procedures, while advocacy efforts intensified and greater use was made of *ex post* monitoring on a sample basis.

4. The European Commission should explain in more detail the aid that is granted, in particular specifying the amounts of guarantees and the amounts of other aid granted by the different Member States.

9. Opinion

In view of the above conclusions and in the absence of any evidence to the contrary, the Parliamentary Committee on Economic Affairs, Innovation and Energy hereby transmits this report to the Parliamentary Committee on European Affairs in accordance with Act No 43/2006 of 25 August 2006.

Palácio de São Bento, 22 February 2011

(signature)

Isabel Sequeira,
Member of Parliament, Rapporteur

(signature)

António José Seguro,
Committee Chairman