Competition: state aid. 9th report

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This document presents the State Aid Scoreboard. Strict control of State aid is essential for the proper functioning of the Internal Market. In recent years the Commission has significantly tightened State aid control, thus ensuring that Member States only award aid that really serves the common interest. Yet the annual level of overall aid in the EU was still more than 79 Billion Euro in 1999. Whilst each individual grant of aid is awarded under conditions accepted by the Commission, it is undeniable that the cumulative effect of all the aid has a considerable distortive effect on competition in the Internal Market. In order to assess the possibility of reducing the distortive effect on competition in the Internal Market caused by the cumulative effect of overall State aid levels, Member States should ascertain their room for manoeuvre in the choice of the most appropriate Government intervention. State aid is essentially justified to rectify market failures. If there is a need for intervention, State aid is only one of the possible instruments that may be used and which also include regulation, direct government provision of certain goods or services, taxation, etc. There may, therefore, be situations where Member States could use measures other than State aid and that are more adapted to the objective pursued. Action based on an improved assessment of the effectiveness and the efficiency of State aid policies could enhance the functioning of the Internal Market. It might also lead to the improved targeting of State aid and a shift away from State aid to better-suited and less distortive instruments thereby reinforcing the current downward trend of overall aid in relation to GDP. In order to generate this wider debate and an accelerated exchange of experience between the Member States, the Commission initiated two new tools to increase transparency on State aid issues: a State aid Register, already available on the Union's Internet server EUROPA, and the present State aid Scoreboard. The Scoreboard is a transparent and publicly accessible source of information on the overall State aid situation in the European Union and on the Commission's current State aid control activities. The Scoreboard is shared with Member States and will benefit from their contributions. This first edition comprises a series of indicators that describe different State aid situations. This first version of the Scoreboard asks questions rather than answering them. It points out differences, but does not necessarily explain them. The questions raised and the differences described will certainly be a thorough basis for discussion between the Member States and the Commission, but also, it is hoped, between the Member States themselves. It will raise awareness on State aid matters and will, not least, increase the often lacking understanding for the necessity of the Commission's State aid control. The present Scoreboard consists of five parts: 1) an overview of State aid in the European Union over the last ten years and in the recent past; 2) a Member State forum; 3) procedural performance in the European Union; 4) current State aid policy and 5) State aid in the Internal Market. In addition, a technical annex presents the underlying data foreach graph and table. Figures presented in the Scoreboard and annex are expressed in constant 1998 values. The first part of the present Scoreboard shows State aid expenditure in the Union since 1990 expressed as a percentage of GDP and in absolute values. Overall aid expressed as a percentage of GDP in each Member State for the period 1997, 1998 and 1999 are also given. The shares of aid are then given according to the main purposes pursued: fostering horizontal objectives like research and development, small and medium-sized enterprises, environmental protection and energy saving or training and employment, helping agriculture and fisheries, assisting the transport sector, aiding other specific sectors like coal mining, shipbuilding or steel production, supporting regions that lag behind. The second part provides seminal ideas for a Member State forum that will offer information on their levels of transparency and should act as a catalyst for discussion between Member States. In the third part, an indication of Member States' success in complying with procedural rules is given in order to identify problems and therefore indicate where improvements might be necessary. In addition, information on the recovery of illegally granted State aid is included. With a view to identifying possible areas where future action by the Commission under State aid rules might be necessary or desirable, the fourth part of the Scoreboard highlights some issues and situates Member States accordingly. The Member States are encouraged to discuss certain spending trends and patterns that might have a positive impact upon the functioning of the Internal Market. The final part of the Scoreboard attempts to situate State aid in the

broader context of the Internal Market and the structural reforms undertaken by the Member States. State aid, even if complying with EC competition policy rules, affect, among others, the competitive process in the Internal Market, economic policy co-ordination and the adjustment of the EU economy to new competitive conditions. In light of the broader implications of State aid and beyond the mere respect of EC competition rules, Member States may wish to consider re-evaluating their State aid policies for reasons of economic effectiveness and efficiency. The Scoreboard will be developed gradually in response to the needs of its various future user constituencies. It will be based on a core set of indicators that will, over time, demonstrate policy shifts and State aid spending patterns.