European Policies Research Centre

How, and how well, does State aid transparency work?

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TRANSPARENCY

BACKGROUND AND MOTIVES

A ‘PILLAR’ OF STATE AID CONTROL

2012 State aid modernisation initiative (SAM)

- Accountability
- Effectiveness
- Level playing field

REPORTING REQUIREMENTS FROM JULY 2016

Apply to *all* awarding bodies (national → local)

- **Timely** reporting of **large awards** on a publicly-accessible website
- Options:
    1. COM ‘transparency award module’ (TAM)
    2. Domestic system

Aid amount

€500,000

Deadline

6 months

(12 for tax aid)

THIS STUDY…

For DG Competition

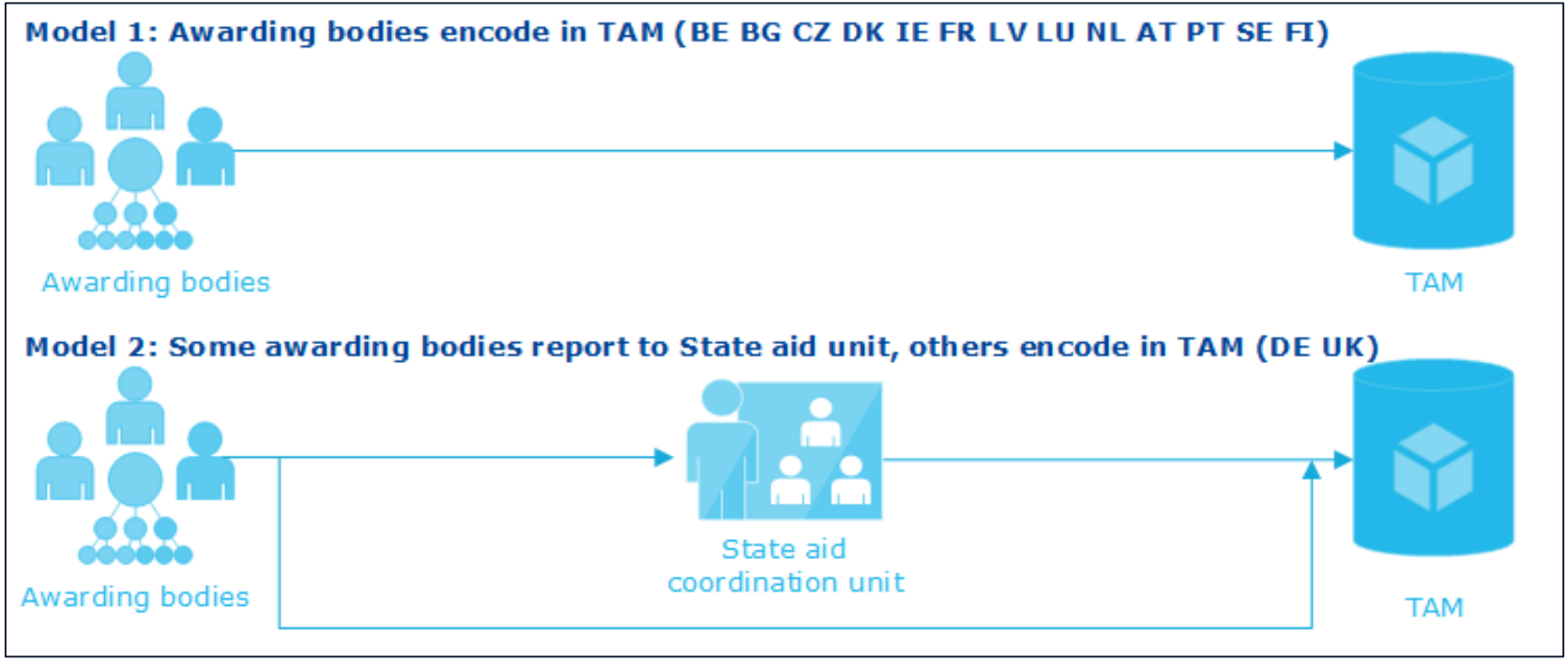
- How do Member States comply with the transparency requirements?
- How effective are different approaches?
- What changes to requirements might improve levels of compliance?

NATIONAL SYSTEMS

How do countries comply with the transparency requirements?

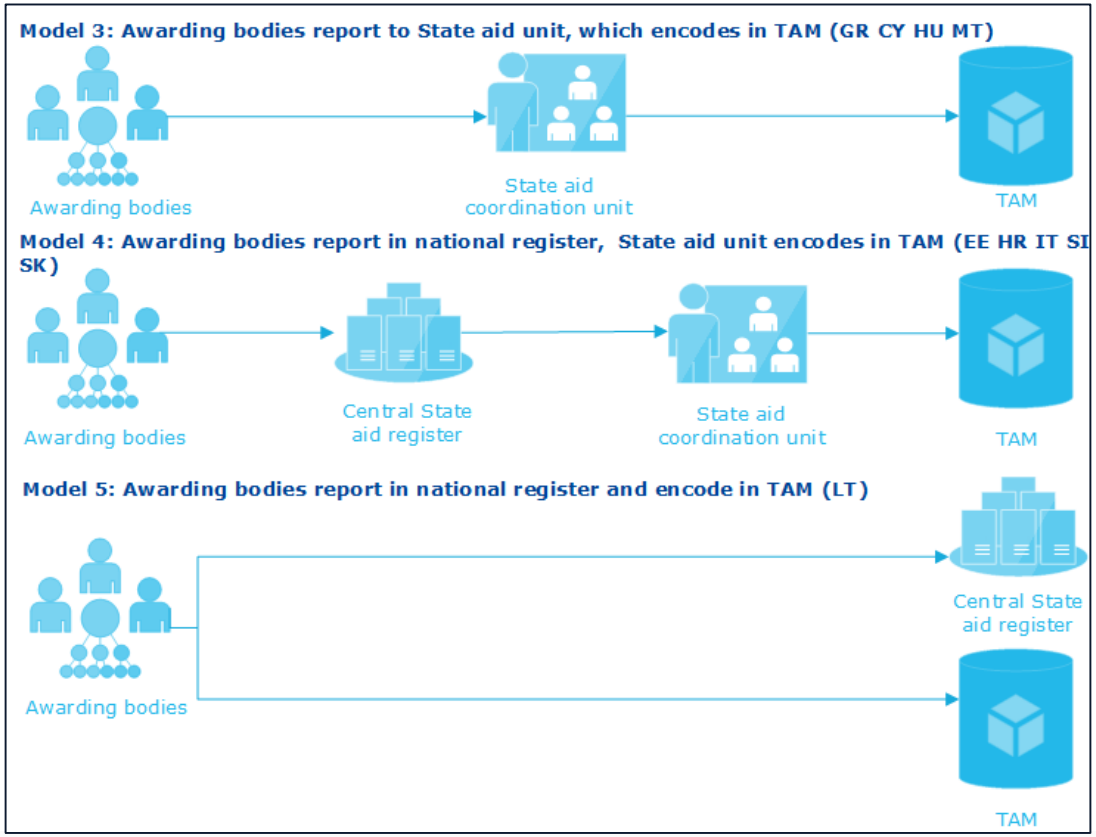
TYPE I - 15 COUNTRIES

Awarding bodies (generally) encode directly in TAM



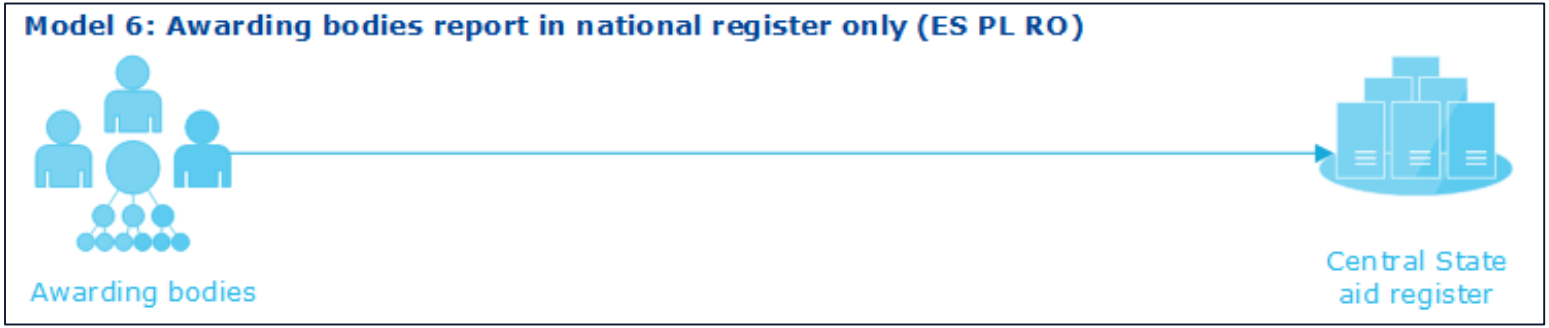
TYPE II – 10 COUNTRIES

More significant national co-ordination functions



TYPE III – 3 COUNTRIES

National State aid registers used *instead of* TAM



EFFECTIVENESS

Assessing compliance

DATA AVAILABILITY

SARI
anticipated scheme *budget*

TAM
reports of *awards*

SANI
annual *spend* by measure

DATA LIMITATIONS

A partial view…

- No systematic information on *number* of awards expected to be made or actually offered

- BUT, detailed information on timing of award decisions and reporting, where reporting was done

"Like being able to count the kids who were late for school, but not knowing who didn't show up at all"

A ‘SNAPSHOT’ OF TAM REPORTING DELAYS

	On time		LATE		Total
	Awards reported	Awards reported %	Awards reported	Awards reported %	Awards reported No
Austria	1416	85%	241	15%	1657
Belgium	1154	59%	804	41%	1958
Bulgaria	418	47%	474	53%	892
Croatia	9	5%	164	95%	173
Cyprus	1	100%		0%	1
Czech Republic	1840	87%	286	13%	2126
Denmark	629	62%	379	38%	1008
Estonia	267	84%	51	16%	318
Finland	615	55%	510	45%	1125
France	3553	59%	2429	41%	5982
Germany	12056	76%	3856	24%	15912
Greece	344	69%	156	31%	500
Hungary	2871	37%	4992	63%	7863
Ireland	234	48%	252	52%	486
Italy	9985	64%	5546	36%	15531
Latvia	381	75%	127	25%	508
Lithuania	418	66%	213	34%	631
Luxembourg	111	93%	8	7%	119
Malta	59	46%	68	54%	127
Netherlands	1242	17%	5889	83%	7131
Portugal	3947	79%	1035	21%	4982
Slovakia	279	74%	97	26%	376
Slovenia	17	27%	47	73%	64
Sweden	2944	54%	2558	46%	5502
United Kingdom	3177	70%	1385	30%	4562
Total	**47967**	**60%**	**31567**	**40%**	**79534**

TIMELINESS OF TAM REPORTING

Explaining patterns of compliance?

Aid characteristics:

- Award value
- Aid type
- Legal basis

Country characteristics:

- Length of EU membership
- Quality of government
- Regulatory ‘stringency’ of transparency system

Figure 17 : Mixed effects logistic regression - dependent variable is delayed reporting of aid awards

	Model 1		Model 2		Model 3		Model 4	
Predictors (fixed part)								
Award value (log)	-0.034	(-4.062)***	-0.034	(-4.051)***	-0.034	(-4.061)***	-0.034	(-4.040)***
Fiscal measure	-2.352	(-35.355)***	-2.351	(-35.352)***	-2.352	(-35.328)***	-2.353	(-35.353)***
Legal base	-1.021	(-20.335)***	-1.021	(-20.327)***	-1.021	(-20.319)***	-1.021	(-20.325)***
Regulatory stringency			1.723	(3.021)*				
New Member State					0.521	(0.721)		
Quality of government							-0.881	(-3.467)***
Variance (random part)								
Granting authority (ICC)	0.59		0.64		0.76		0.65	
Country (ICC)	0.15		0.09		0.07		0.07	
N of observations	57145		57145		57145		57145	
BIC	50788.7		50793.1		50799.2		50791.3	

Note: Estimates are on the log odds scale with z values in parenthesis. Significance values: * p<.05; ** p<.01; *** p<.001.

Source: EPRC calculations.

ANALYSIS OF 57,145 AWARDS IN 21 COUNTRIES

Outcomes

- **Award values:** larger the award, less likely is reporting delayed
- **Legal basis:** GBER aid reporting is less to be delayed
- **Aid type:** fiscal aid is less likely to be delayed

BUT

- these effects are *very small*
- country characteristics *do not change the outcome significantly*

AND

- ***The largest effect is due to variance among award bodies***

A FEW AWARDING BODIES ARE RESPONSIBLE FOR MOST LATE REPORTING

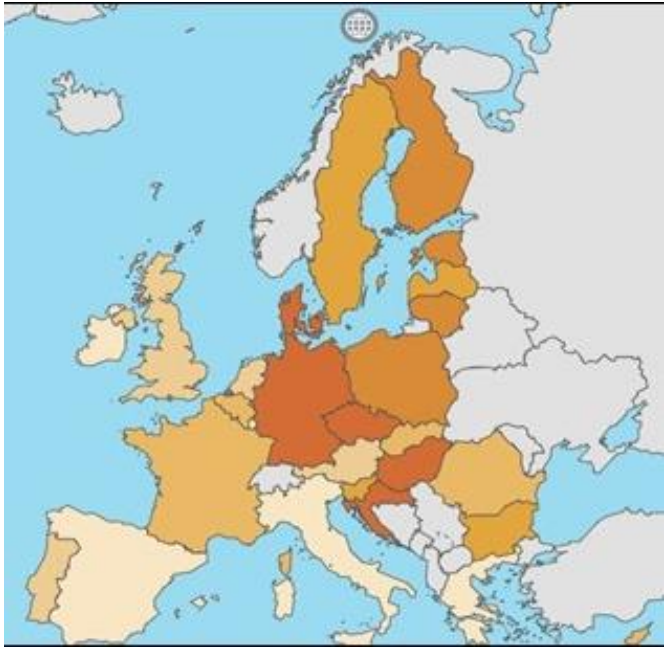
	Number of awarding bodies reporting	Number of awarding bodies reporting late	Share of late award reports by the 'worst' performing awarding body
Austria	34	19	32
Belgium	22	15	44
Bulgaria	8	4	85
Croatia	8	8	45
Czech Republic	21	13	66
Denmark	20	15	59
Estonia	18	12	25
Finland	25	14	63
France	27	22	67
Germany	122	88	47
Greece	32	18	26
Hungary	29	29	59
Ireland	8	6	48
Italy	172	166	17
Latvia	10	5	93
Lithuania	9	7	44
Luxembourg	2	1	100
Malta	4	3	79
Netherlands	47	29	88
Portugal	11	10	52
Slovakia	12	8	73
Slovenia	5	4	38
Sweden	41	25	87
United Kingdom	40	28	41

CHANGES TO TRANSPARENCY REQUIREMENTS?

WHAT DO MEMBER STATES THINK?

Eight case studies

	Type	EU15/ EU13	Geog.	Spend (% of GDP)
CZ	I	New	East	High
DE	I	Old	West	High
NL	I	Old	North	Low
EE	II	New	North	Medium
IT	II	Old	South	Low
ES	III	Old	South	Low
PL	III	New	East	Medium
RO	III	New	East	Medium



NATIONAL PERSPECTIVES ON REPORTING

Limited appetite for major change…

- Type I countries (CZ NL DE) – where awarding bodies are responsible for TAM encoding – ***do not want any additional reporting burdens***
- Type II (EE IT) and III (RO ES PL) – where national registers are in place - ***do not want changes that would disrupt existing systems***

But various detailed suggestions for technical adjustments

- May address some operational frustrations
- Unlikely to alter levels of compliance

CONCLUSIONS

and modest recommendations

- Can assess **timeliness** of TAM reporting, but not **completeness**
    - *Require anticipated and actual number of awards in SARI and SANI*
- Overall timeliness is driven by **performance of a very few** awarding bodies
    - *Targeting and training of specific awarding bodies; general awareness-raising*
- TAM has **little value-added** to Member States, compared to national registers
    - *Is there a case for reviewing who TAM serves and how?*

POSTSCRIPT

EU-UK TCA

- Covers ‘subsidies’
- Similar transparency requirement (public website, time limits, amount, recipient…)
- Subsidies above SDR 325,000 in 3 years in scope of TCA

SOURCES

- Fact-finding study on the transparency requirements implementation of the under the GBER and relevant guidelines: https://ec.europa.eu/competition/publications/reports/kd0120640enn.pdf
- State aid transparency public search (EU): https://webgate.ec.europa.eu/competition/transparency/public?lang=en
- National register Spain (BDNS): https://www.infosubvenciones.es/bdnstrans/GE/en/index
- National register Poland (SUDOP): https://sudop.uokik.gov.pl/home
- National register Romania (RegAS): https://regas.consiliulconcurentei.ro/transparenta/index.html
- Where is the UK on State aid and subsidy control post-Brexit? EPRC blog: https://www.eprc-strath.eu/public/dam/jcr:237f50cf-5413-4535-a5b5-da50ac49d9c3/Blog%20-%20Where%20is%20the%20UK%20on%20State%20aid%20and%20subsidy%20control%20post%20Brexit_.pdf
- National register United Kingdom: https://searchforuksubsidies.beis.gov.uk/searchresults

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