



## Seeing through State aid

### How well have the Commission's transparency requirements worked?

EPRC blog

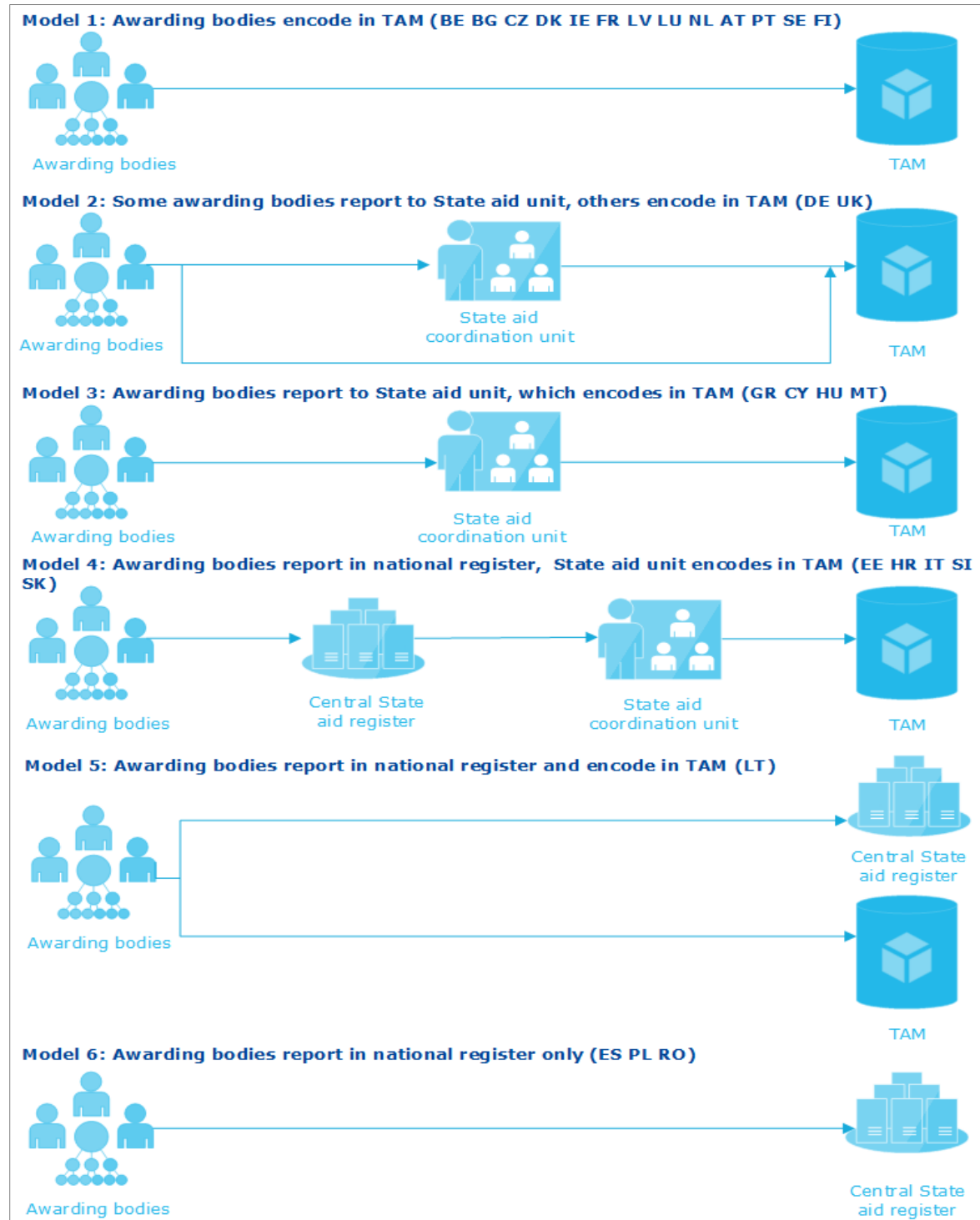
Transparency has become a watchword in EU State aid control. Since July 2016, all granting authorities have been required to report awards exceeding €500,000 to a publicly accessible website. Yet, four years on, there is still scope for improvement in the timeliness of reporting, the accuracy of compliance assessments and rationalisation of obligations. An EPRC study prepared for DG Competition looks at how, and how well, the transparency requirement has been implemented and feeds into the wider Commission review of the State aid rules post 2020. The full report is available [here](#).

Under the European Commission's 2012 State aid modernisation initiative (SAM), transparency became a 'pillar' of State aid control. This was motivated by an emphasis on **accountability**, improving the **effectiveness** of policies, and ensuring a '**level playing field**' in State aid. Thus, firms should be able to access information on State aid received by their competitors; taxpayers should be able to find details of how public money is spent; and the Commission should have a better understanding of how, why and where undertakings are being subsidised.

From July 2016 this meant that information on all individual awards exceeding €500,000 has had to be reported within 6 months and available online.<sup>1</sup> This applies to granting authorities of all types – whether national, regional, local or agencies acting on their behalf.<sup>2</sup> To this end, the Commission developed an IT platform, the Transparency Award Module (TAM). Member States do not have to use TAM – Spain, Poland and Romania have opted for domestic websites instead, but the requirements are the same. TAM alone now contains over 100,000 reports on aid awards.

The review of domestic reporting arrangements reveals **diverse arrangements for compliance with the transparency requirements**, with a large number of countries relying exclusively on awarding bodies to meet reporting obligations. More specifically, six 'models' are identified reflecting whether or not awarding bodies encode in TAM directly, whether or not there is a national State aid register, and, if so, whether this register is used in place of TAM.

### Reporting flows and transparency obligations



Source: <https://ec.europa.eu/competition/publications/reports/kd0120640enn.pdf>

A detailed assessment of the reporting data (almost 80,000 entries) was undertaken to explore the **effectiveness** of different approaches to the transparency requirements. The most robust dataset concerns reporting delays. However, a very significant data gap concerns awards that have not been reported at all – in other words it is possible to assess whether reporting was late, but *the scale of aid that should have been reported and was not is unknowable with current data*. A regression analysis of the reporting delays showed that the domestic reporting 'model' and associated regulatory stringency offered little explanatory power in accounting for the timeliness of reporting. *Variances are largely driven by the performance of individual granting authorities* - a very few bodies account for the majority of delayed reports.

Case studies of eight countries were undertaken to identify **potential changes to the transparency requirements** that might improve levels of compliance. Some detailed proposals were identified, but while these might facilitate the use of TAM and address some operational frustrations, it is unlikely that they would have a material impact on compliance. In broad terms, countries where awarding bodies are responsible for TAM encoding do not want any additional reporting burdens, and countries where national registers are in place do not want additional demands to be made that would disrupt existing systems.

The report makes three **recommendations**:

1. **Information on numbers of awards.** A more accurate assessment of compliance might be gleaned from requiring Member States to report the actual number of payments when they make their annual reports in SARI, as well as expenditure; the number of awards anticipated might also be made an obligatory entry under the State aid notification system SANI2. Neither would provide a complete solution, but over time would enhance the capacity accurately to identify likely instances of transgression.
2. **Targeting specific awarding bodies.** Analysis of the reporting delays shows that the timeliness of reporting is essentially driven by the behaviour of a very small number of awarding bodies in each Member State. *A radical reduction in delays could be achieved by targeting and training those few organisations that report belatedly.*
3. **Awareness raising and rationalisation of transparency obligations.** It may be that any awarding bodies failing to report at all do so due to low levels of awareness of the obligations and few qualifying instances (particularly in the case of non-GBER aid). Alongside targeted training, the adoption of a single harmonised text on transparency might raise the profile of the obligation and improve levels of compliance.

**Fiona Wishlade, November 2020**

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## Notes

<sup>1</sup> Longer for tax aid.



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<sup>2</sup> There are some exceptions to this, but crucially the transparency requirement applies to the General Block Exemption Regulation (GBER), under which most aids are awarded.