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## NOTE TO THE FILE

### **Subject: Statistical insights on the current interaction between State aid rules and the European Structural and Investment Funds (ESIF)**

In the context of the preliminary reflection process on the post-2020 MFF, this note provides some statistical insights on the current interaction between State aid rules and the European Structural and Investment Funds (ESIF). These have to be read against the background of significant changes in the underlying assessment frameworks in Regional Policy and State aid that were introduced in 2014. The **2014 ESIF rules** have very significantly reduced the possibility to give aid to large undertakings and have prioritised support for infrastructures, thereby considerably reducing ESIF support that could qualify as State aid. As regards State aid rules, since May 2012, the Commission has implemented a major reform package, **State Aid Modernisation**. The reform has de facto greatly rolled back the need for the Commission to carry out State aid checks and allows Member States to quickly implement State aid that fosters investment, economic growth and job creation while the Commission focusses its State aid control on cases most liable to distort competition.

The analysis of State aid expenditure reported by Member States and the measurement of procedural performance provide the following findings:

- Over the last 5 years, a significant decrease in reported State aid spending on co-financed projects has been registered<sup>1</sup>, as the figure has passed from 18.3 billion EUR in 2012 to 5.3 billion EUR in 2016<sup>2</sup>, of which respectively 75% came from EU funds and 25% from purely national funds. Therefore, knowing that, in 2016, the total annual payment appropriations for ESIF programmes totalled about 50 billion EUR<sup>3</sup>, the **share of ESIF**

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<sup>1</sup> The data is based on the annual reporting by Member States pursuant to Article 6(1) of Commission Regulation (EC) 794/2004. Expenditure refers to all existing aid measures to manufacturing industries, services (from 2014 also on Renewable Energy Schemes) and transport for which the Commission adopted a formal decision or received an information fiche from the Member States in relation to measures qualifying for exemption under the General Block Exemption Regulation (GBER).

As of 2014, the reported amount of State aid that is co-financed includes both national and ESIF expenditure. Indeed since these projects are funded under the sole responsibility of the Member States, the part of financing granted under the ESIF also qualifies as State aid (estimated data before 2014). EU programmes that are managed at EU level (i.a. COSME, H2020, CEF) include a lighter State aid consistency requirement and therefore are not subject to direct DG COMP State aid control.

<sup>2</sup> Data referring to year 2016 are still provisional (2017 reporting exercise).

<sup>3</sup> Of which about 18.5 billion EUR covering interim payments for the 2007-13 programmes - See Analysis of the budgetary implementation of the European Structural and Investments Funds in 2016 - May 2017.

**funding subject to State aid scrutiny represents only about 8% in 2016**, which means that a very large share of decentralised EU programme spending<sup>4</sup> (i.e. 92%) does not fall under DG COMP State aid rules. In addition, since **74% of the State aid-relevant spending was done under the General Block Exemption Regulation** (i.e. could be implemented by Member States without notification to and approval by the Commission), **only 2% of ESIF spending in 2016 required explicit State aid scrutiny by DG COMP**.

- The small share of **ESIF expenditure that is still subject to State aid rules is processed more rapidly** than in the past and as compared to not co-financed (i.e. purely national) measures. Although the duration to assess notifications for both co-financed and not-co-financed State aid measures is broadly the same (about 5 months<sup>5</sup> over the period 2013-2015), when taking into account the high share of block-exempted measures, it appears that on average co-financed measures can be implemented more quickly than not co-financed ones. The **average duration of State aid control by the Commission before implementation**<sup>6</sup> of all ESIF interventions subject to such control is therefore only about **1.5 months for co-financed projects** (compared to 3.2 months for not co-financed projects over the period).

These basic facts illustrate that the sometimes very long delays in disbursements of ESIF funds have little to do with State aid rules and scrutiny.

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<sup>4</sup> Corresponding to over half of total EU funding that is currently channelled through 5 European structural and investment funds (ESIF) in decentralised management (jointly managed by the European Commission and Member States)

<sup>5</sup> Estimated value. In order to reduce the distortive effect of particularly complex and long cases on the data, the length of proceedings is presented as an average over three years.

<sup>6</sup> Theoretical average duration to assess and authorize State aid for co-financed project i.e. not considering delays in implementation that can be attributed to a number of other factors (e.g. in the designation of national authorities or additional requirements introduced by the ESIF programme regulations).

## ANNEX – Total State aid spending on co-financed projects and total payment appropriations under ESI Funds (2016)

	Reported total State aid spending on co-financed projects (in millions EUR)							Total payments appropriations under ESIF programmes (2016)	Total State aid spending on co-financed projects from EU funding (in millions EUR) (2016)	Total SA EU spending on co-financed projects as % of total payments appropriations under ESIF programmes (2016)
	2010	2011	2012	2013	2014	2015	2016			
BE	553	383	545	287	177	145	50	233	29	12%
BG	30	42	114	191	151	211	32	1420	27	2%
CZ	2504	3776	4873	4227	700	915	43	4523	32	1%
DK	59	44	39	38	8	36	8	80	6	7%
DE	1839	1701	2160	1818	443	270	144	2293	103	4%
EE	13	23	87	36	48	44	10	275	9	3%
IE	100	17	11	10	24	0	0	242	0	0%
EL	896	1180	643	1772	554	509	498	3519	489	14%
ES	3070	2072	1973	1968	551	394	245	5624	145	3%
FR	425	306	343	327	439	239	1	2172	0	0%
HR	:	:	:	0	0	0	0	924	0	0%
IT	4011	1082	1155	1063	526	355	477	6981	317	5%
CY	61	46	43	33	4	2	2	94	1	2%
LV	38	92	396	424	600	505	347	364	60	17%
LT	55	37	28	25	20	24	9	526	8	1%
LU	0	0	0	0	0	0	0	7	0	0%
HU	1199	1084	1260	996	751	351	1038	3301	919	28%
MT	6	18	16	2	1	2	3	129	3	2%
NL	294	234	164	109	70	65	53	184	16	9%
AT	637	1071	538	486	381	79	37	259	19	7%
PL	2390	1294	1909	2132	1617	501	1578	5755	1543	27%
PT	148	208	343	229	461	456	74	1875	73	4%
RO	68	133	106	121	50	77	16	6797	14	0%
SI	519	741	384	134	41	8	9	239	5	2%
SK	135	131	109	73	80	213	151	2340	129	5%
FI	241	361	274	262	341	250	255	195	42	21%
SE	86	48	98	59	38	92	0	223	0	0%
UK	663	976	724	319	537	711	264	1792	20	1%
<b>EU</b>	<b>20040</b>	<b>17101</b>	<b>18334</b>	<b>17142</b>	<b>8614</b>	<b>6454</b>	<b>5342</b>	<b>52367</b>	<b>4008</b>	<b>8%</b>