



# State aid and EU funding

## Are they compatible?

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**Budgetary Control**

# Principles underlying State aid control

Public support should:

- Address market failures or sub-optimal investment situations
- Be limited to the amount necessary
- Not duplicate or crowd out of private investment
- Not harm the functioning of our internal market



# EU Funds and State aid control

- EU Funds **implemented by the EU directly** - State aid rules do not apply

Examples: Horizon Europe, Connecting Europe Facility

- EU Funds **under the control of Member States** – State aid rules normally apply

Examples: ERDF, Cohesion Fund

## ESIF and State aid control

- Only 10% to 20% of ESIF expenditure relates to projects involving State aid
  - Of this small part which constitutes State aid, 90% of new co-financed measures is block exempted (74% in spending), i.e. no need to wait for Commission clearance. Member States can immediately go ahead with the projects.
- ➔ That leaves very few projects that need to be notified and approved; projects very rarely raise problems; average duration of State aid procedure (2013-2016): 5 months

# ESIF and State aid control

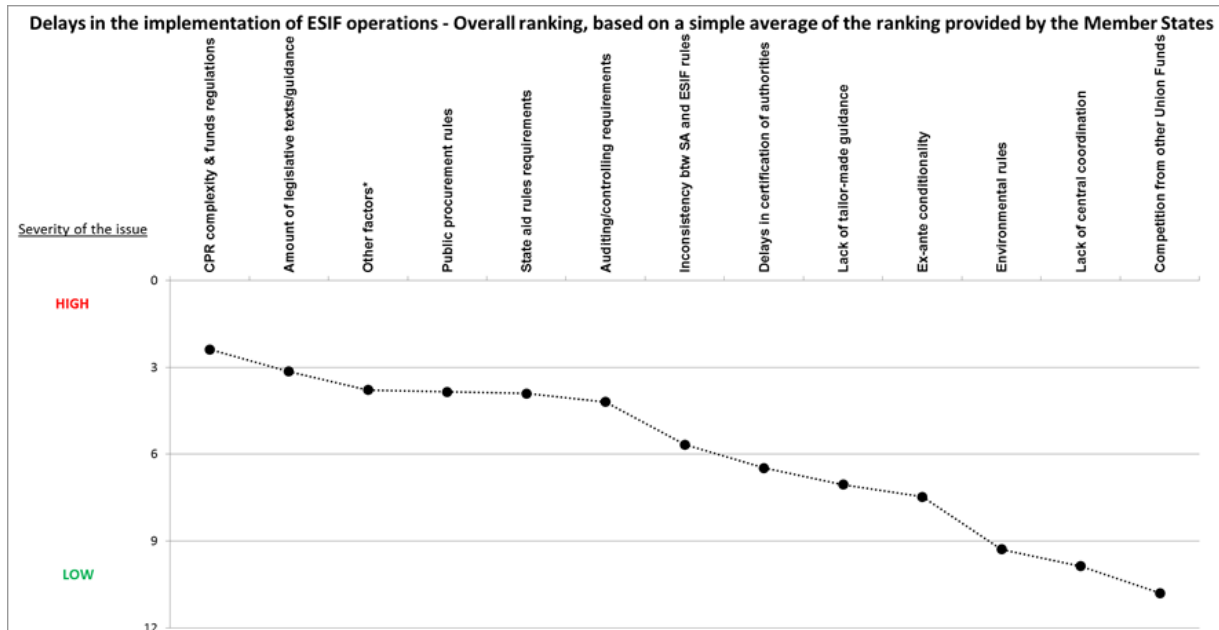
- Very close cooperation REGIO – COMP
  - ✓ Notified co-financed measures: cooperation to speed up treatment
  - ✓ Joint action plan to divulge knowledge on State aid
- The cooperation works well as shown by the results:
  - ✓ Recent figures on errors in audits show a decline in the number of State aid related errors in recent years
  - ✓ The share of State aid related errors in the total number of errors detected is very small

# State aid modernisation

- State aid modernisation has changed the approach
  - ✓ More responsibility for Member States
  - ✓ Only largest measures require screening and approval by the Commission (3% of all new aid measures)
- The Commission assists Member States
  - ✓ Working Group of Member States to share best practices and address implementation problems
  - ✓ E-Wiki: electronic platform to ask questions
  - ✓ Training activities in and country visits to all Member States
  - ✓ Sharing of training materials with central coordination points in all Member States. Those coordination points (e.g. Competition Council in Romania, Central State aid unit at Ministry of finance in Greece, Secrétariat général des affaires européennes in France, Referat „Beihilfenkontrollpolitik“ Bundesministerium für Wirtschaft und Energie in Germany) have a key role to play

# State aid modernisation Survey in Working Group of MS

- Member States do not consider State aid control as the primary cause for delays in the execution of structural funds

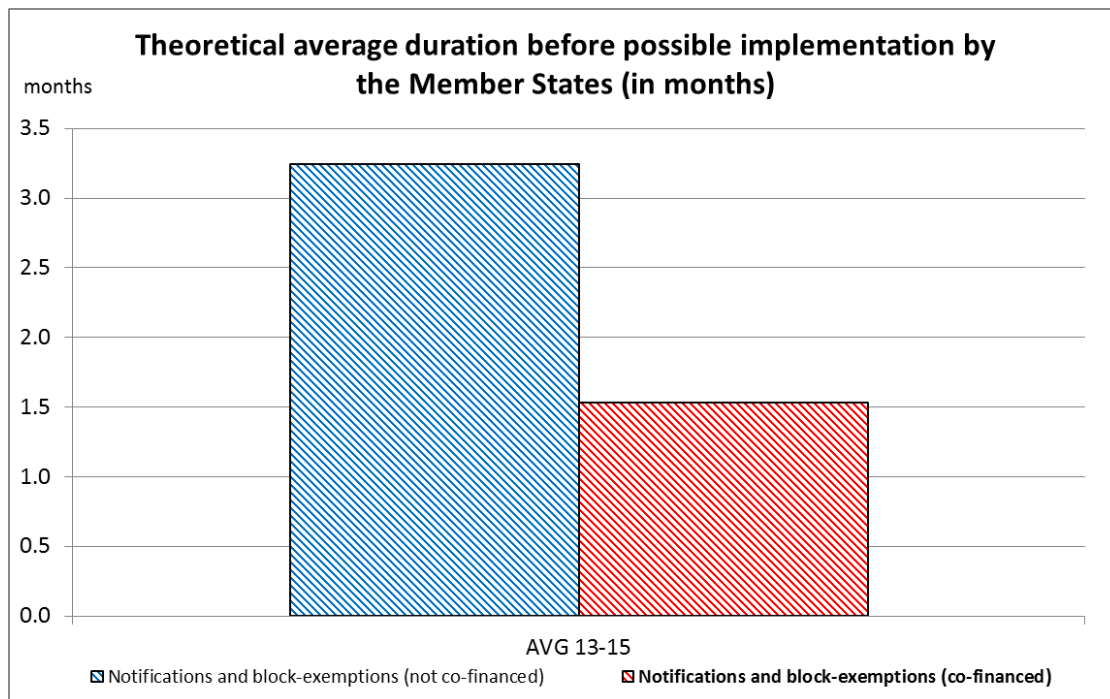


- Survey to identify the role played by State aid (and other factors) in the smooth implementation of ESIF operations with a view to identify possible difficulties/obstacles to be addressed
- State aid rules ranked fifth only

Source: SAM WG - \*Other factors: late adoption and entry into force of the ESIF package; delay in the adoption of OPs; insufficient time to adapt to new complex rule; lack of support from EU bodies; lack of resources at national level; problems related to the use of financial instruments ...

# State aid modernisation

- The fact that most EU Structural funding is block exempted helps to speed up **Commission State aid clearance** (in particular as compared to State aid clearance for purely national measures)





## Planned future changes

In context of MFF:

- On 6 June 2018, the Commission has made a legislative proposal which would further streamline State aid rules for Member State money which is combined with EU money within the InvestEU fund
- Subject to certain safeguards, to prevent distortion of the internal market, that could lead to such Member State money being block exempted

# Background slides

## Infrastructure funding

# Infrastructure & State aid

Funding of infrastructure that is not meant to be commercially exploited is excluded from State aid rules, e.g.

- Infrastructure used for the exercise of public powers
- infrastructure not used for offering goods or services on a market (for instance roads made available for free public use).

Funding of infrastructure that only has local effects and no effects on other Member States is excluded from State aid rules

= most infrastructure funding falls outside State aid rules

# Infrastructure & State aid

- State aid control typically applies to the construction of infrastructure in the following sectors:

Airports, Ports, Broadband, Energy

- State aid control typically does not apply to the construction of infrastructures in the following sectors:

Railway, Roads/Bridges/Tunnels, Canals/Inland Waterways, Water Supply and Wastewater Networks

Infrastructures do not face direct competition (comprehensive network infrastructures that are natural monopolies)

+ private financing in the sector insignificant

# Infrastructure & State aid

## Guidance given by the Commission

- Commission notice on the notion of State aid
- Analytical grids on state aid to Infrastructure 2016 - 2017
  - Water infrastructures
  - Roads, bridges, tunnels and inland waterways
  - Railway, metro and local transport
  - Port infrastructure
  - Culture, heritage and nature conservation
  - Airports
  - Broadband
  - Research
  - Sports and Multifunctional
  - Energy
  - Waste Management

# Compatibility

Where funding of infrastructure constitutes State aid, is it allowed?

- State aid modernisation: unproblematic aid is block exempted, i.e. does not need to wait for Commission clearance. Member States can immediately go ahead with the projects.
- For example: certain types of research infrastructure, district heating, energy infrastructure, broadband infrastructure, culture, sport and multifunctional recreational infrastructures, local infrastructure, regional airports, maritime and inland ports

Only a few bigger projects with a potential important negative impact on competition require prior clearance by the Commission