EUROPEAN COURT OF AUDITORS

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Press Release

Luxembourg, 4 October 2016

State Aid: low awareness and significant non-compliance in Member States, say EU Auditors

Member States are detecting infringements of State aid rules at a very low rate, according to a new report from the European Court of Auditors. The auditors point to a significant level of non-compliance with the rules on State aid in the area of cohesion policy and call for changes in the way projects are approved and monitored.

The auditors assessed the level of non-compliance with State aid rules in cohesion policy in the years up to 2014 and the extent to which the European Commission was aware of the causes of non-compliance. They also examined whether the Commission's new rules for 2014-2020 were likely to bring improvements.

They found a significant level of non-compliance. Almost 20 % of cohesion policy projects with State aid relevance were affected by State aid errors. At the same time, audit authorities in the Member States detected infringements at a far lower rate than either the Commission or the EU auditors. Member States found errors in just 3.6 % of relevant projects, while the EU auditors detected more than five times as many using a similar methodology.

"*Member States' audit authorities are an important part of the control chain in cohesion policy. But our findings indicate that so far they have not focussed sufficiently on State aid in the course of their audits*," **said Mr Oskar Herics, the Member of the European Court of Auditors responsible for the report**.

During the 2007-2013 programme period, the Commission's databases did not allow it to properly analyse State aid errors; nor did its monitoring result in any significant recovery of State aid. Particularly at the beginning of that period, say the auditors, Member States rarely notified infrastructure investments to the Commission for State aid clearance and, until the end of 2012, the Commission did not systematically check whether major projects complied with State aid rules. To reduce this risk, the Commission has introduced new rules for 2014-2020, but these do not always provide legal certainty.

The auditors note that the Commission has simplified State aid legislation to reduce bureaucracy and increase transparency, but has at the same time placed greater responsibility on Member States for designing and implementing aid measures. The Commission's monitoring has shown that Member States made many mistakes in the design and implementation of aid schemes during the 2007-2013 programme period. This shift in

The purpose of this press release is to convey the main messages of the special report adopted by the European Court of Auditors.
The full report is on www.eca.europa.eu

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responsibility therefore risks increasing the number of State aid errors and will require continuous attention.

The auditors recommend that the Commission should:

- impose corrective action where State aid measures are not in compliance with the rules;
- use its State aid database so that it can easily analyse the type, frequency, seriousness, geographical origin and cause of irregularities, and regularly monitor Member States' capacity to comply with State aid rules;
- approve major projects only after internal State aid clearance and consistently ask Member States to notify aid where needed;
- ensure by mid-2017 that the scope and quality of Member State audit authorities' checks on compliance with State aid rules are sufficient;
- use its powers to suspend payments to Member States if the ex-ante conditionality concerning State aid is not fulfilled by the end of 2016.

Notes to Editors

State aid is any aid granted by a Member State which distorts or could distort competition by giving certain enterprises an advantage, in so far as it affects trade between Member States. In principle, State aid is prohibited in order to ensure that the internal market functions properly. However, in certain sectors or geographical areas, or in special circumstances, aid of up to a certain value may be compatible with the internal market. During 2010 to 2014, Member States granted an average of €76.6 billion of State aid per year, excluding aid to the financial sector, the railways and public services such as the postal service. This represents over 0.5 % of EU Member States' GDP.

Cohesion policy is one of the main spending areas in the EU budget. For 2014-2020, the total budget for the European Regional Development Fund, the Cohesion Fund and the European Social Fund amounts to €352 billion, up from €347 billion during the 2007-2013 programme period. According to Commission estimates, cohesion policy spending accounted for more than one quarter of State aid granted in the EU during the 2007-2013 period.

Special Report No 24/2016: "More efforts needed to raise awareness of and enforce compliance with State aid rules in Cohesion policy" is available in 23 EU languages.