COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.5.2002
COM(2002) 242 final

STATE AID SCOREBOARD

spring 2002 update

(presented by the Commission)

Contents

Graphs and Tables

EXECUTIVE SUMMARY

The purpose of government intervention and in particular intervention that takes the form of State aid, is to remedy the unwanted outcomes of market processes. However, because of its distortive effect on competition, intervention by way of State aid has to be constantly justified, critically examined and open to scrutiny. Apart from the need to minimise distortion to competition, the grant of aid must also be balanced against constraints on national public finances whilst in the European context the grant of aid must be consistent with the framework of economic and monetary union and the Stability and Growth pact. Public resources must be used restrictively and efficiently.

In the context of the commitments made by Member States at Stockholm and Barcelona to demonstrate a reduction in State aid by 2003, a selection of data have been presented in this Scoreboard in a way that might allow more informed choices to be made with regard to State aid reductions and where these reductions may be possible. The task of reducing State aid levels will not be easy. As the Barcelona European Council renewed its call to Member States to redirect aid towards horizontal objectives, including economic and social cohesion, the greatest room for manoeuvre for Member States to reduce aid levels is arguably to be found in aid for particular manufacturing and service sectors.

The Commission has embarked on a long-term reform exercise aimed at simplifying State aid procedures for clear-cut cases and concentrating Commission resources on the most serious distortions of competition. New Community guidelines and frameworks have or are in the process of being drawn up. Aid granted in the area of small and medium-sized enterprises and training, responding to strict criteria which currently have been approved by the Commission, are now exempted from notification requirements. Furthermore, a new employment block exemption is currently being prepared. Such group exemptions should ensure a reduced level of administrative effort on the part of Member States and the Commission prior to implementation of aid targeted towards these objectives, thereby allowing a greater focus on monitoring the effectiveness of such aid. The new environmental protection and the multi-sectoral framework have been approved and their impact on State aid levels will be closely followed up.

Main findings

Overall levels of State aid in the European Union have continued to fall

The overall level of national State aid in the EU fell from €105 billion in 1996 to €82 billion in 2000. Whilst the reduction in aid to regional objectives (€12 billion), financial services (€4 billion) and transport (€4 billion) contributed most to this €23 billion drop, decreases were also seen in levels of aid granted to steel, shipbuilding and other manufacturing sectors as well as the agricultural sector. In contrast with the overall downward trend, there was a significant increase of €4 billion in aid to environment. The two Member States that have contributed most to the marked decrease are Germany (a fall of €7 billion) and Italy (a fall of €8 billion) due largely to substantial reductions of aid for regional objectives.

Disparities between Member States in the resources allocated to national State aid remain …

In relative terms, State aid amounted to 0.99% of EU Gross Domestic Product (GDP) in 2000. This average masks significant disparities between Member States: the share of aid to GDP ranges from 0.46% in the United Kingdom to 1.44% in Finland. The high proportion in Finland can be explained by the relatively large amount of aid to agriculture which represents 70% of total aid in this country.

… but are diminishing as State aid as a percentage of GDP falls in the majority of Member States

The level of State aid as a percentage of GDP decreased in eleven of the fifteen Member States between 1996 and 2000, in line with the undertaking at Stockholm to demonstrate a reduction in State aid by 2003. Greece, Italy and Portugal experienced the sharpest falls (by around 0.4 percentage points) between 1996-1998 and 1998-2000. In contrast, aid in relation to GDP actually increased in Denmark, Ireland, Luxembourg and the Netherlands. In the case of Ireland, the rise is largely due to the inclusion of figures for Irish Corporation tax that has been considered as a State aid only since 1998 combined with smaller increases in aid to agriculture and financial services. The increases for the other three Member States are due for the most part to higher levels of aid granted to railway transport.

Sectoral distribution of aid varies considerably among Member States and over time

It is not only the volume but also the composition of State aid that influences its impact on competition in the Internal market. In 2000, 39% of State aid in the Union was granted to the transport sector, almost exclusively to the railway network. The share of total aid directed towards the manufacturing sector was 29%, agriculture and fisheries 17% and coal 9%. There are significant differences between Member States in the sectors to which they direct aid. Aid to the agricultural and fisheries sectors accounted for only 7% of overall aid in Germany while in Finland it was as high as 73%. Aid to the railway sector made up more than 60% of total aid in Belgium and Luxembourg compared with an EU average of 39%. Aid to the coal industry accounts for almost 20% of aid in Germany and Spain as against a Community average of 9%.

Between the periods 1996-1998 and 1998-2000, the share of aid to the manufacturing sector fell by 3 percentage points while the share of transport increased by 3 percentage points.

Disparities remain between Member States in their award of aid to the manufacturing sector. The spread is sizeable when this aid is expressed in percent of value added: the 4% level observed in Denmark is around 7 times higher than the lowest aid level in the European Union; 0.6% observed in the United Kingdom. In addition, France, Ireland, Italy and Luxembourg rank above the EU average of 1.6%.

Member States are redirecting aid to horizontal objectives

The Stockholm and Barcelona European Councils asked Member States to redirect aid towards such horizontal objectives that tend to target market failures, i.e. environment, training, research and development and small and medium-sized enterprises. Looking at recent trends, the share of EU aid granted for horizontal objectives increased by more than 13 percentage points from the period 1996-1998 to 1998-2000. This positive trend was observed, to varying degrees, in all Member States with the exception of Austria where the share decreased slightly from a relatively high level.

Most Member States have reduced their aid to specific manufacturing and service sectors

Aid to support specific sectors is likely to distort competition more than aid for horizontal objectives and also tends to favour other objectives than identified market failures. In the majority of Member States, the underlying trend is downward. Spain and France recorded the largest decreases between 1996 and 2000. Portugal, Ireland, Sweden, France, Denmark and Finland have relatively high levels of aid to specific sectors.

Share of aid for regional development is decreasing

Between 1996-1998 and 1998-2000, the share of aid for regional objectives to total EU aid fell by 5 percentage points from 19% to 14%. In the majority of Member States, the share either fell or remained relatively stable. Germany and Italy experienced the largest decreases of around 10 percentage points.

Share of State aid in cohesion countries practically unchanged

Due to data constraints, State aid for economic and social cohesion is not assessed at regional level but at Member State level. The Commission intends to work with the Member States to develop a more precise indicator. The latest data indicate that the gap between the level of State aid granted in the richest Member States and in the four cohesion countries has hardly diminished: the share of aid in the four cohesion countries, Greece, Ireland, Portugal and Spain, only increased from 12% of total EU aid to the manufacturing, coal and service sectors in 1996-1998 to 14% in 1998-2000. Furthermore this increase is mainly due to the inclusion of data on an Irish Corporation tax scheme that the Commission considers since 1998, as being a State aid.

With a view to correcting regional disparities, financial assistance is vital and its effectiveness must not be compromised by the granting of disproportionate national State aid elsewhere. The Commission will, insofar as is possible under current State aid control rules, continue to reduce the cohesion gap.

Majority of Member States tend to provide aid to manufacturing in the form of grants

As to the instruments used when aid is granted to the manufacturing sector, grants are by far the most frequently used form making up 63% of the EU total. In addition to aid awarded through the budget, other aid is paid through the tax or social security system. EU-wide, tax exemptions make up 25% of the total. While Greece, Spain, Luxembourg, Finland and the United Kingdom provide more than 90% of their aid in the form of grants, other Member States make greater use of tax exemptions, particularly France (47%) and Ireland (74%).

A few figures on procedural performance …

In 2001, there were more than 1000 cases registered by the Commission. Around 44% were in the manufacturing, coal and service sectors, 39% in agriculture, 10% in fisheries and 7% in transport. According to the Treaty, Member States should notify all State aid to the Commission. However, for around 15% of investigated aid cases, it was not the Member State but the Commission that had to initiate the control procedure after finding about the aid, for example following a complaint. During the period 1999-2001, 7% of all final decisions taken by the Commission were negative ones.

State aid is not the only policy instrument that may help to tackle market failures affecting small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) make a major contribution to the European economy in terms of growth and job creation but also in terms of the development of new products and services. However, compared with large enterprises, they tend to find it more difficult to gain access to external sources of finance, have insufficient access to information and are particularly vulnerable to heavy administrative burdens and regulatory changes. These market failures are considered to constrain the development of SMEs, particularly in the start-up and development phases, therefore warranting the provision of state aid. However, it is often argued that other policies might actually be more effective in addressing the above mentioned market failures compared to the provision of direct financial support to SMEs. In general, policy makers ought to assess, on a case-by-case basis, whether existing market imperfections affecting SMEs would be better addressed through the provision of state aid, advisory and information services, the intensification of structural reforms, or a combination of these measures. Further research is needed to assess the impact and measure the effectiveness of aid to SMEs vis-à-vis other policy instruments.

State aid in the candidate countries: to be examined in future Scoreboards

The process of enlargement has continued apace. The establishment in these countries of a competitive environment such as that of the Community has, therefore, become urgent. Compliance with the State aid “Community acquis” is essential in meeting the accession criteria in the competition area, as established in 1993 at the Copenhagen European Council. The Commission, therefore, continues to follow closely the developments in State aid in the candidate countries and intends to provide an overview of the State aid situation in these countries in future updates of the Scoreboard.

INTRODUCTION

In a rapidly changing world, an on-going review of State aid control policy is necessary to ensure that it remains fair and equitable for Member States, industry and consumers alike. The application of its basic principles must evolve to keep pace with the fundamental changes that are taking place in the environment where European industries operate and to underpin the evolution of industrial and social policies.

Although each individual grant of aid is awarded under conditions accepted by the Commission and notwithstanding the positive effects that aid may have in other policy areas, it is undeniable that the cumulative effect of some €82 billion of State aid in 2000 has a considerable distortive effect on competition in the Internal Market.

Over the last ten years, the underlying trend in State aid, in terms of percentage of GDP, has been downward for the vast majority of Member States. Nevertheless, the need for further reductions in global aid levels and for the reorientation of aid towards horizontal objectives of Community interest was underlined by the Stockholm European Council and confirmed by the Barcelona European Council in March 2002 where Member States were invited to continue their efforts to reduce aid levels by eliminating aid which has the greatest distortive effects, reorienting aid towards horizontal objectives and targeting aid to identified market failures. The Council thus affirms the Commission's view that less and better-targeted State aid is a key part of effective competition. The Broad Economic Policy Guidelines for 2002 contain specific recommendations to Member States to this effect.

This update of the State aid Scoreboard intends to further increase transparency and to raise awareness for the need of State aid control. In the context of the commitments made by Member States at Stockholm and Barcelona, a selection of data have been presented in a way that might allow more informed choices to be made with regard to State aid reductions and where these reductions may be possible.

What is a State Aid ?

State aid is a form of state intervention used to promote a certain economic activity. State aid implies that certain economic sectors or activities are treated more favourably than others. State aid thus distorts competition because it discriminates between companies that receive assistance and others that do not. Therefore, it presents a threat to the running of the internal market. The authors of the EC Treaty recognised this risk and set up a system which, while it is centred on the principle that State aid is incompatible with the common market, nevertheless accepts that the granting of such aid can be justified in exceptional circumstances. The basic rules of the system are outlined in Articles 87-88 of the Treaty. These rules have been amplified over the years by secondary legislation and court rulings. For more information on the legal and procedural framework, see http://europa.eu.int/comm/competition/state_aid/legislation/

Structure

The Scoreboard is being restructured and improved so as to make better use of the possibilities offered by the internet. In addition to this paper edition, a permanent online Scoreboard (http://europa.eu.int/comm/competition/state_aid/scoreboard/) consisting of a series of key indicators, statistical information and a Member State Forum will soon be launched.

The Scoreboard will continue to be updated twice a year, in the spring and in the autumn. The main aim of the spring update is to provide an overview of the State aid situation in the Union and to examine the underlying trends based on the latest available data. It is divided into four parts. The first part looks at the extent to which Member States are reducing their State aid relative to GDP. The second part focuses on Member States' relative success in redirecting aid from specific sectors to horizontal objectives. The third part contains data on State aid control procedures of both the Commission and the Member States. Finally, in part four, which is dedicated to State aid as an economic instrument in the Internal Market, we have chosen to examine the role of State aid in the context of small and medium-sized enterprise policy.

In order to avoid duplication of information, the Commission has now integrated the State Aid Survey into the Scoreboard and thereby created one comprehensive State aid reference document.

Limitations

This edition of the Scoreboard focuses largely on the year 2000 that predates the Stockholm European Council in 2001. The following data restraints have to be considered when the objectives set in Stockholm will be revisited in 2003. A full set of State aid data for the year 2003 will only be available in early 2005 as Member States, together with the Commission, require up to one year to collect and analyse the data.

State aid data collected for the Scoreboard are grouped according to primary objectives. It has to be noted that primary objectives cannot always give a completely accurate picture of the final beneficiaries: e.g., a part of regional aid is in fact paid to small and medium size enterprises, aid for R&D goes to particular sectors, and so on. For the time being, analysis of horizontal, regional and sectoral aid is, due to a lack of available information, limited to manufacturing and service sectors. The Commission is currently working on improving the detail and quality of the data it collects.

The purpose of the quantitative information provided in the Scoreboard is to highlight factual developments, without attempting to establish causal links. In this way, the Scoreboard does not make judgements but is offering factual data, which should encourage a debate without prejudging its outcome.

State aid Register – a second transparency tool

In March 2001, the Commission unveiled the new public State aid Register. The Register provides details on State aid cases dealt with by the Commission. It is updated regularly and thus ensures that the public has timely access to the most recent State aid decisions. It is available on the homepage of the Competition Directorate General's Internet site http://europa.eu.int/comm/competition/state_aid/register/

PART ONE: OVERVIEW OF STATE AID IN THE EUROPEAN UNION

This chapter provides a snapshot of State aid granted in the European Union in 2000 and an overview of the underlying trends.

1.1 State aid in absolute and relative terms

State aid granted by the fifteen Member States was estimated at €82 billion in 2000, compared with €105 billion in 1996. The two Member States that have contributed most to the marked decrease are Germany (a fall of €7 billion) and Italy (a fall of €8 billion) due largely to substantial reductions of aid for regional objectives.

In absolute terms, Germany granted the most aid (€25 billion) in 2000 followed by France (€15.7 billion) and Italy (€10.4 billion).

Table 1: State aid in the Member States, 2000

	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Total state aid in billion €	82,4	3,3	2,4	25,0	1,1	5,8	15,7	1,2	10,4	0,2	3,8	2,0	1,3	1,8	1,8	6,5
Total aid as % of GDP	0,99	1,34	1,23	1,23	0,89	0,99	1,13	1,20	0,92	1,24	0,98	0,97	1,18	1,44	0,75	0,46

Source: DG Competition

Disparities between Member States in the share of State aid as a percentage of GDP

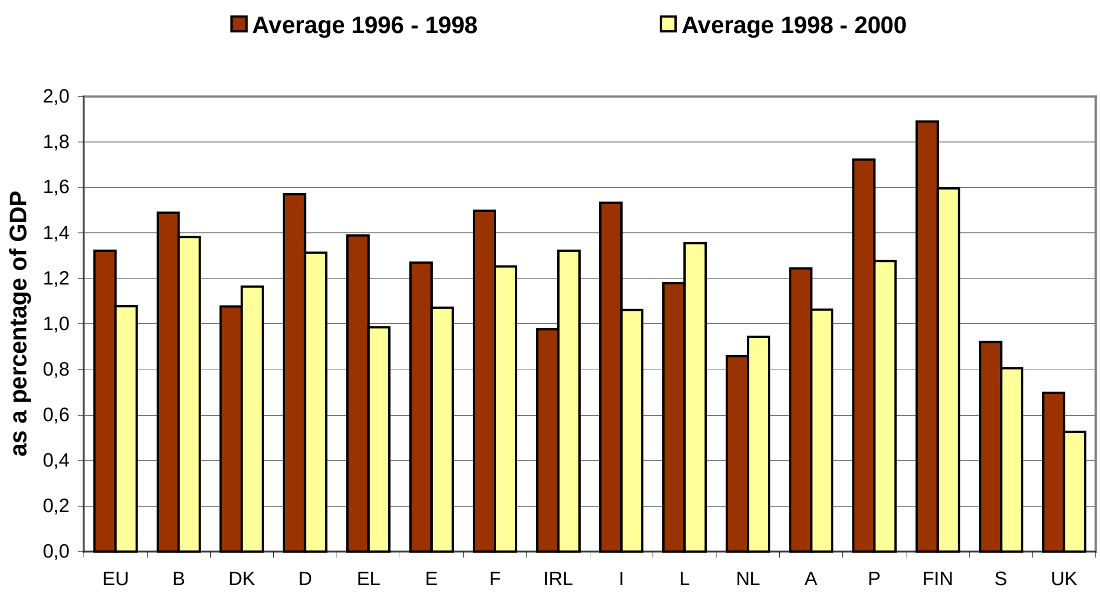
In relative terms, State aid amounted to 0.99% of EU Gross Domestic Product (GDP) in 2000. This average masks significant disparities between Member States: the share of aid to GDP ranges from 0.46% in the United Kingdom to 1.44% in Finland. The high proportion in Finland can be explained by the relatively large amount of aid to agriculture which represents 70% of total aid in this country. The figures in Greece, Spain, Italy, Netherlands, Austria and Sweden are all at or below the EU average (Table 1).

Downward trend in the level of State aid in the majority of Member States

At the Stockholm European Council in 2001, Member States pledged to demonstrate a downward trend in State aid in relation to GDP by 2003. The underlying trend can be observed by comparing the periods 1996-1998 and 1998-2000. EU-wide, aid amounted to 1.08% of GDP on average for the period 1998-2000, a decrease of -0.25 points compared with 1996-1998. The trend is downward in eleven of the fifteen Member States. Greece, Italy and Portugal experienced the sharpest falls (around –0.4 points) between the two periods under review.

In contrast, aid in relation to GDP actually increased in Denmark, Ireland, Luxembourg and the Netherlands. In the case of Ireland, the rise is largely due to the inclusion of figures for Irish Corporation tax that has been considered as a State aid only since 1998 combined with smaller increases in aid to agriculture and financial services. The increases for the other three Member States are due for the most part to higher levels of aid granted to railway transport.

Graph 1: State aid as a percentage of GDP, 1996 - 2000



Source: DG Competition

State aid may also be expressed in other relative terms: per capita (Table 2) and per person employed and as a percentage of government expenditure (Table 3). Over the period 1998-2000, the annual average volume of aid in the Union was €230 per capita compared with €266 over the period 1996-1998. In line with a general reduction in aid levels, aid per person employed and as a percentage of government expenditure also fell over these two periods.

Table 2: State aid in absolute terms and per capita 1996-2000

	Annual averages 1996 - 1998		**Annual averages 1998 - 2000**	
	In million €	€ per capita	**In million €**	**€ per capita**
EU	99.471	266	**86.550**	**230**
B	3.312	325	**3.268**	**320**
DK	1.695	321	**2.041**	**384**
D	29.892	365	**26.008**	**317**
EL	1.520	145	**1.155**	**110**
E	6.604	168	**6.052**	**153**
F	19.086	328	**16.885**	**288**
IRL	730	199	**1.179**	**314**
I	16.364	285	**11.764**	**204**
L	194	461	**251**	**579**
NL	2.974	190	**3.534**	**223**
A	2.312	286	**2.088**	**258**
P	1.725	173	**1.381**	**137**
FIN	2.072	403	**1.927**	**373**
S	1.942	220	**1.825**	**206**
UK	9.048	153	**7.194**	**121**

Source: DG Competition

Table 3: State aid in relative terms 1996-2000

	In percent of GDP		**In € per person employed**		**In percent of government expenditure**	
	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**
EU	1,32	**1,08**	632	**534**	2,64	**2,27**
B	1,49	**1,38**	869	**835**	2,87	**2,74**
DK	1,08	**1,23**	638	**750**	1,85	**2,23**
D	1,57	**1,31**	802	**684**	3,17	**2,74**
EL	1,39	**0,99**	397	**296**	2,89	**2,03**
E	1,27	**1,07**	466	**400**	2,98	**2,62**
F	1,50	**1,25**	826	**711**	2,73	**2,34**
IRL	0,98	**1,32**	510	**739**	2,64	**3,88**
I	1,53	**1,06**	750	**529**	2,98	**2,19**
L	1,18	**1,35**	1.133	**1.406**	2,69	**3,22**
NL	0,86	**0,94**	395	**446**	1,78	**2,03**
A	1,24	**1,06**	589	**524**	2,27	**1,99**
P	1,72	**1,28**	373	**287**	3,85	**2,86**
FIN	1,89	**1,59**	973	**863**	3,34	**3,10**
S	0,92	**0,81**	480	**440**	1,46	**1,35**
UK	0,70	**0,53**	337	**261**	1,65	**1,30**

Source: DG Competition

1.2 Sectoral distribution of aid

Sectoral distribution of aid varies considerably among Member States and over time

In 2000, 39% of State aid in the Union was granted to the transport sector, almost exclusively to the railway network. The share of total aid directed towards the manufacturing sector was 29%, agriculture and fisheries 17% and coal 9%.

There are significant differences between Member States in the sectors to which they direct aid. Aid to the agricultural and fisheries sectors accounted for only 7% of overall aid in Germany while in Finland it was as high as 73%. Aid to the railway sector made up more than 60% of total aid in Belgium and Luxembourg compared with an EU average of 39%. Aid to the coal industry accounts for almost 20% of aid in Germany and Spain as against a Community average of 9%.

Table 4: Sectoral distribution of aid, 2000

	% of total						Million euro
	Manufacturing	Services (including tourism, financial, media and culture)	Transport	Agriculture & Fisheries	Coal	Not elsewhere classified*	Total
EU	29	3	39	17	9	4	82.373
B	18	1	64	12	0	6	3.292
DK	43	1	30	12	0	14	2.412
D	36	0	39	7	19	0	25.044
EL	37	1	48	14	0	0	1.085
E	21	1	23	24	19	13	5.833
F	29	5	39	21	6	0	15.689
IRL	40	13	11	33	0	3	1.196
I	31	2	48	16	0	3	10.433
L	15	2	72	12	0	0	245
NL	19	1	53	28	0	0	3.799
A	20	1	33	44	0	1	1.965
P	16	40	7	22	0	15	1.322
FIN	22	1	2	73	0	2	1.833
S	24	6	47	23	0	0	1.769
UK	19	2	39	16	3	20	6.459

* This column includes aid to employment and training that can not be classified under a particular sector.
Source: DG Competition

Between 1996-1998 and 1998-2000 the volume of aid fell in all the main sectors: manufacturing was down €6.7 billion, services €2.6 billion, transport €1.8 billion, agriculture €1.1 billion and coal €1.0 billion (Table 5). An analysis of the trend in the share of each sector paints a slightly different picture: manufacturing fell by 3 percentage points over this period but the share of transport increased by 3 percentage points. At national level, the share of each sector remained fairly stable although there have been some significant fluctuations, the most noteworthy being the 15 percentage point drop in Italian manufacturing aid. This is largely due to the reduction in regional aid over this period. (Table 6).

Table 5: State aid by sector in the Community 1996 –2000

€ billion

	Annual average 1996 - 1998	**Annual average 1998 - 2000**
Overall national aid	99,5	**86,5**
of which:		
Agriculture	14,8	**13,7**
Fisheries	0,3	**0,3**
Manufacturing	32,5	**25,8**
Coal mining	8,2	**7,2**
Transport	34,0	**32,2**
of which rail transport	33,0	**32,1**
Services	6,6	**4,0**
Not elsewhere classified	3,1	**3,3**

Source: DG Competition

Table 6: Share of State aid by sector in the Member States 1996–2000

Percent

	Manufacturing		**Services (including tourism,financial, media and culture)**		**Transport**		**Agriculture and Fisheries**		**Coal**		**Not elsewhere classified***	
	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**
EU	33	**30**	7	**5**	34	**37**	15	**16**	8	**8**	3	**4**
B	23	**21**	0	**1**	65	**65**	7	**9**	0	**0**	4	**5**
DK	41	**38**	2	**1**	28	**31**	16	**13**	0	**0**	15	**17**
D	40	**37**	1	**0**	35	**38**	6	**6**	18	**17**	1	**1**
EL	42	**38**	0	**0**	46	**46**	13	**15**	0	**0**	0	**0**
E	28	**23**	1	**1**	25	**23**	19	**22**	17	**18**	10	**13**
F	23	**27**	21	**13**	33	**36**	17	**18**	5	**6**	0	**0**
IRL	45	**47**	16	**15**	20	**12**	15	**24**	0	**0**	4	**3**
I	50	**35**	6	**4**	34	**43**	10	**15**	0	**0**	1	**3**
L	26	**17**	0	**1**	56	**70**	17	**12**	0	**0**	0	**0**
NL	19	**19**	1	**1**	46	**51**	34	**29**	0	**0**	0	**0**
A	21	**21**	1	**2**	28	**32**	48	**45**	0	**0**	1	**1**
P	12	**15**	51	**44**	11	**5**	16	**22**	0	**0**	10	**14**
FIN	19	**22**	1	**1**	2	**2**	75	**74**	0	**0**	2	**2**
S	20	**24**	5	**6**	53	**49**	16	**21**	0	**0**	6	**1**
UK	17	**18**	3	**3**	34	**37**	20	**16**	10	**7**	16	**18**

* This column includes aid to employment and training that can not be classified under a particular sector.
Source: DG Competition

1.3 State aid to the manufacturing sector

The following section focuses on aid to the manufacturing sector[1]. As the Barcelona European Council renewed its call to Member States to redirect aid towards horizontal objectives, including economic and social cohesion, this is a sector in which Member States could find some room for manoeuvre in order to comply with the Stockholm request to reduce State aid levels.

EU-wide, aid granted to manufacturing in 2000 amounted to €24 billion or, put another way, 1.6% of value added in this sector. Denmark (4.0%) and Greece (3.0%) had by far the highest levels of aid granted to this sector. France, Ireland, Italy and Luxembourg also rank above the Community average (Table 7).

Table 7: State aid to the manufacturing sector, 2000

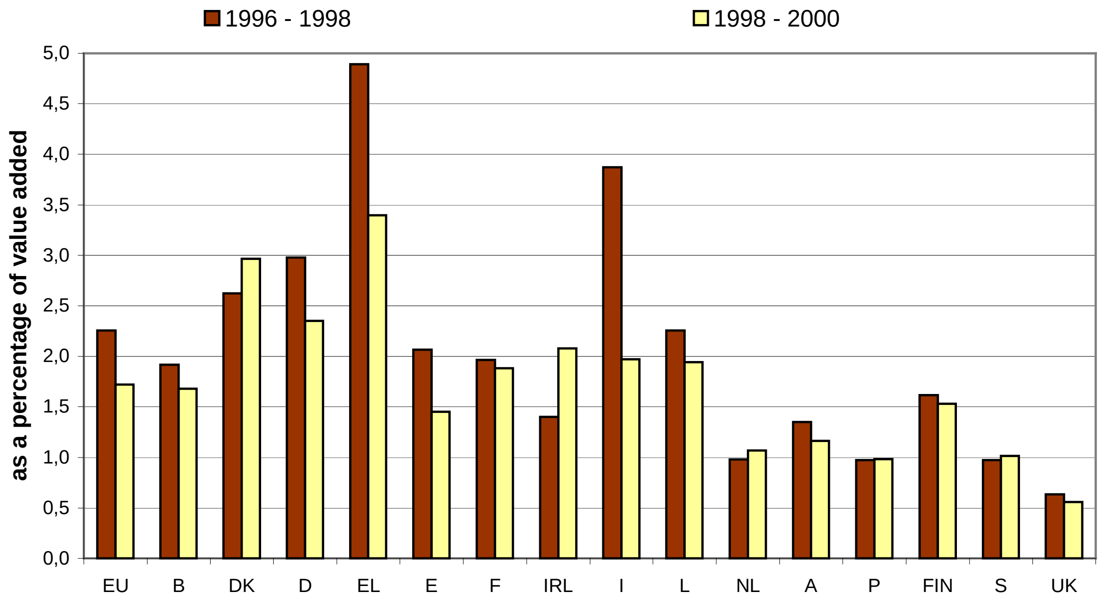
	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
State aid to the manufacturing sector in million €	23.844	590	1.035	8.925	404	1.202	4.509	481	3.249	37	710	401	213	411	429	1.251
State aid to the manufacturing sector as % of value added	1,6	1,5	4,0	2,1	3,0	1,3	1,8	1,7	1,6	1,9	1,2	1,0	1,0	1,5	1,0	0,6

Source: DG Competition

State aid to manufacturing relative to value added (and in Euro per person employed) fell in the majority of Member States between 1996-1998 and 1998-2000 (Graph 2 and Table 8). This was particularly the case in Italy, where the long-term downward trend has continued, but also in Greece, Germany and Spain. In contrast, Denmark and Ireland recorded significant rises. The increase seen in Ireland is due to the inclusion of figures from 1998 on an Irish tax scheme that is now being phased out. If this were discounted the underlying trend in Ireland would also be downwards. In Denmark, the upward trend is the result of two large environmental aid schemes.

[1] For the purposes of the Scoreboard, the manufacturing sector includes aid for steel, shipbuilding, other manufacturing sectors, rescue and restructuring, regional aid and aid for most horizontal objectives including research and development, SMEs, environment, commerce and energy saving.

Graph 2: State aid to the manufacturing sector, 1996 - 2000



Source: DG Competition

Table 8: State aid to the manufacturing in relative terms 1996 - 2000

	In percent of value added		In Euro per person employed		In million Euro	
	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**	1996 - 1998	**1998 - 2000**
EU	2,3	**1,7**	1.081	**854**	32.459	**25.781**
B	1,9	**1,7**	1.161	**1.034**	766	**675**
DK	2,6	**3,0**	1.534	**1.784**	687	**786**
D	3,0	**2,3**	1.459	**1.199**	11.879	**9.718**
EL	4,9	**3,4**	1.033	**720**	637	**442**
E	2,1	**1,5**	718	**487**	1.879	**1.376**
F	2,0	**1,9**	1.185	**1.215**	4.456	**4.560**
IRL	1,4	**2,1**	1.183	**1.866**	330	**548**
I	3,9	**2,0**	1.591	**801**	8.142	**4.147**
L	2,3	**1,9**	1.538	**1.266**	50	**42**
NL	1,0	**1,1**	540	**608**	574	**657**
A	1,4	**1,2**	716	**656**	489	**444**
P	1,0	**1,0**	207	**215**	206	**210**
FIN	1,6	**1,5**	938	**931**	403	**416**
S	1,0	**1,0**	520	**575**	398	**442**
UK	0,6	**0,6**	353	**305**	1.563	**1.318**

Source: DG Competition

PART TWO: ARE MEMBER STATES REFORMING THEIR STATE AID POLICIES?

The Barcelona European Council in March 2002 called for less and better-targeted State aid as a key part of effective competition in the Internal Market. It requested Member States to target aid to identified market failures. In order to achieve this goal, some Member States will have to reflect on how they adapt their State aid policies.

2.1 Horizontal objectives

Member States are redirecting aid to horizontal objectives

State aid for horizontal objectives, i.e. aid that is not granted to specific sectors or geographic areas, is usually considered as being targeted to market failures and as being less distortive than sectoral and ad hoc aid. Research and development, safeguarding the environment, energy saving and support to small and medium-sized enterprises are the most prominent horizontal objectives pursued with State aid. Due to data constraints, this section looks at horizontal objectives in the context of total aid less agriculture, fisheries and transport.

In 2000, aid granted for horizontal objectives accounted for 47% of total EU aid less agriculture, fisheries and transport. The remaining aid was granted for regional objectives (22%), coal (19%) and specific sectors (11%). There are large disparities between Member States in the share of horizontal objectives ranging from 8% of total aid in Greece to 83% in Denmark. It is important to bear in mind however that, in some Member States, aid schemes classified under the primary objective of regional aid may also support secondary objectives such as R&D and training. This may be particularly significant for countries such as Greece that have a relatively large share of regional aid. Notwithstanding the measurement difficulties, the data do give an indication as to which horizontal objectives are favoured by each Member State. For example, around 30% of aid in Austria and Finland is directed to research and development (EU average of 11%). Denmark (38% of total aid), Sweden (27%) and Germany (26%) tend to favour environmental objectives (EU average of 13%) while the United Kingdom devotes 45% of its total aid (less agriculture, fisheries and transport) to training objectives (Table 9).

Table 9: State aid for horizontal objectives, particular sectors, coal and regional objectives, 2000

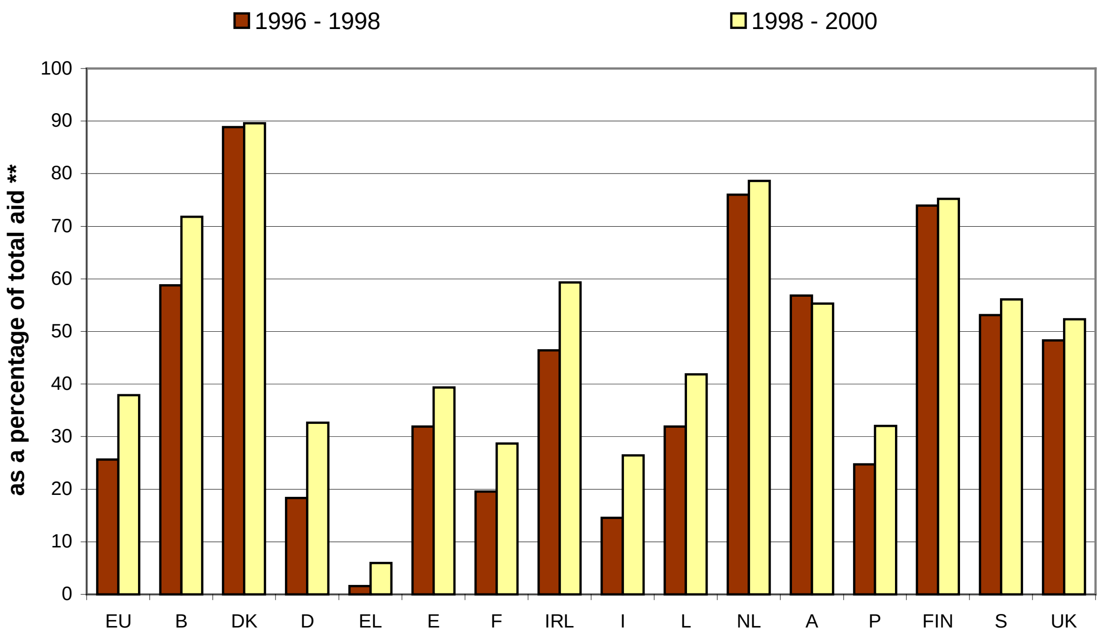
Percentage of total aid less agriculture, fisheries and transport																
	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Horizontal Objectives	**47**	**77**	**83**	**46**	**8**	**42**	**42**	**55**	**33**	**47**	**75**	**58**	**38**	**71**	**61**	**60**
Research and Development	11	16	7	9	0	9	21	1	5	19	22	29	1	32	22	4
Environment	13	1	38	26	1	0	2	-	0	2	10	14	-	1	27	3
SME	10	23	1	8	5	7	14	0	20	25	15	11	8	10	4	8
Commerce	1	0	1	0	0	0	2	1	0	1	4	-	0	6	-	-
Energy saving	2	0	13	1	0	0	2	0	0	0	8	0	0	14	8	0
Employment aid	3	18	6	0	-	6	0	4	8	-	1	4	9	7	-	-
Training aid	6	5	18	0	-	19	-	2	-	-	-	-	12	0	0	45
Other Objectives	2	14	-	-	2	0	0	47	0	-	14	-	7	-	-	-
Particular sectors	**11**	**3**	**16**	**4**	**2**	**10**	**19**	**23**	**11**	**9**	**9**	**9**	**58**	**16**	**20**	**7**
Steel	0	-	-	-	-	-	-	-	-	-	-	1	0	-	-	-
Shipbuilding	3	-	14	3	-	1	2	-	5	-	5	-	-	13	-	-
Other Manufacturing Sectors	1	-	1	1	-	2	2	1	1	-	-	2	2	0	-	3
Rescue and Restructuring	1	-	-	0	-	5	0	-	0	-	-	1	0	-	-	-
Tourism	1	1	0	0	-	0	0	0	3	-	-	6	2	-	-	0
Financial Services	2	-	-	-	-		9	17	2	-	-	-	2	-	-	-
Media, Cultural sector & services	3	2	2	0	2	1	4	5	0	9	4	-	52	3	20	4
Coal	**19**	-	-	**34**	-	**35**	**16**	-	-	-	-	-	-	-	-	**7**
Regional aid	**22**	**20**	**0**	**16**	**90**	**14**	**24**	**22**	**56**	**44**	**16**	**33**	**4**	**14**	**18**	**25**
Regions under 87(3)c	10	20	0	3	-	11	19	11	7	44	16	31	-	14	18	20
Regions under 87(3)a	13	-	-	12	90	3	6	11	48	-	-	2	4	-	-	6
Total aid less agriculture, fisheries and transport in million €	**36.262**	**802**	**1.396**	**13.705**	**411**	**3.088**	**6.384**	**672**	**3.732**	**40**	**747**	**443**	**937**	**454**	**537**	**2.915**

Note: The high figure for Ireland (47%) under ‘other objectives’ is due to the Irish Corporation Tax. Source: DG Competition

The Barcelona European Council renewed its call to Member States to redirect aid towards such horizontal objectives of Community interest. Looking at recent trends, the share of EU aid granted for horizontal objectives increased by more than 13 percentage points from the period 1996-1998 to 1998-2000 (Graph 3). This positive trend was observed, to varying degrees, in all Member States with the exception of Austria where the share decreased slightly. Any comparison of trends in the Member States should clearly take account of the overall level of aid for horizontal objectives. For example, despite the slight decrease in Austria, the relative weight of horizontal objectives remains above the EU average.

The most significant increase appears to be in Ireland. However this is due to the inclusion of data, since 1998, on the Irish Corporation Tax (ICT) scheme.

Graph 3: Share of State aid directed to horizontal objectives*, 1996 - 2000



* excluding rescue and restructuring
** total aid less agriculture, fisheries and transport

Source: DG Competition

2.2 Sectoral objectives

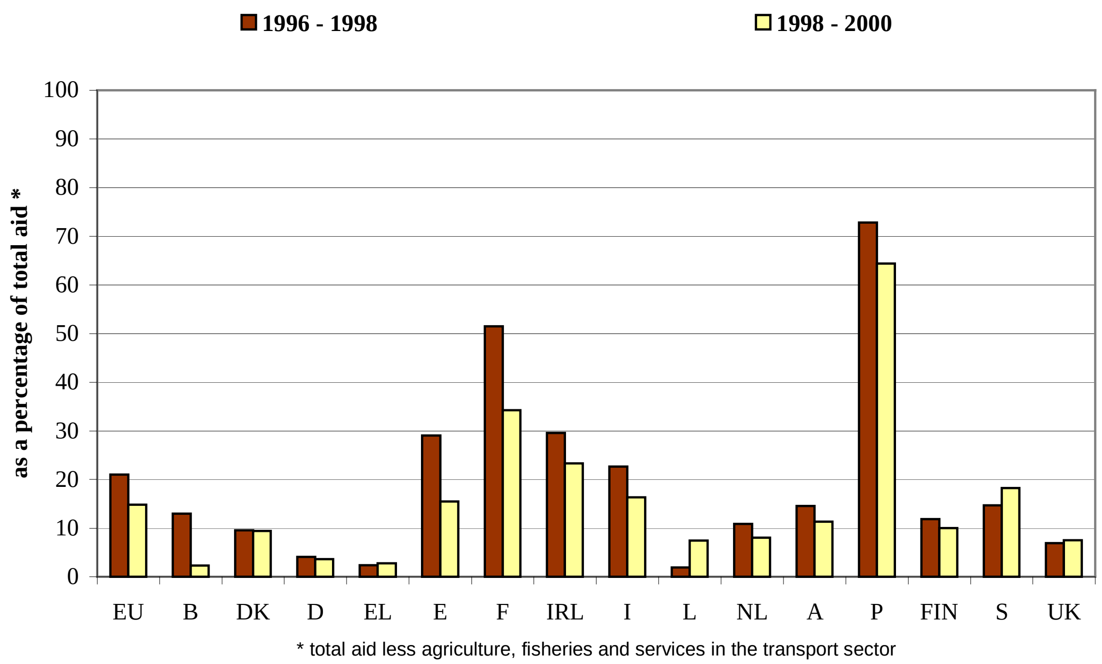
Most Member States have reduced their aid to specific manufacturing and service sectors

Aid to support specific sectors is likely to distort competition more than aid for horizontal objectives and also tends to favour other objectives than identified market failures. Moreover, a significant part of such aid is granted to rescue or restructure companies.

The share of aid granted to specific sectors in the EU, as opposed to regional or horizontal objectives, accounted for 11% of total aid to manufacturing, coal and services in 2000. The high share of sectoral aid in Portugal (58% of total aid) is due to a single regional aid tax scheme in Madeira that mainly supports financial services. Ireland (23%), Sweden (20%), France (19%), Denmark (16%) and Finland (16%) also have relatively high levels of aid to specific sectors.

In the majority of Member States, the underlying trend is downward: between 1996-1998 and 1998-2000, the EU share fell by more than 6 percentage points (Graph 4). Belgium (a fall of 11 points), Spain (14 points) and France (17 points) recorded the largest decreases. In contrast, Sweden (+4 points) and Luxembourg (+6 points) have increased their share of sectoral aid.

Graph 4: Share of State aid to specific manufacturing and service sectors, 1996 - 2000



Source: DG Competition

2.3 Coal and Steel

In July 2002, the ECSC Treaty will expire and with it the State aid rules that currently regulate the granting of State aid to ECSC coal and steel products. State aid to the steel sector has dropped considerably over the last few years, from €437 million 1996 to just €4 million in 2000.

In the case of coal, some €7 billion was granted to the sector in 2000. Aid to current production decreased steadily between 1996 and 2000 in line with the agreements on the reduction of volumes of aid to the coal industry until 2005. Table 10 provides an overview of aid to the coal industry over the period 1996 - 2000.

Table 10: State aid to coal mining, 1996 - 2000

	Yearly average of aid not destined to current production (in million €)		Yearly average of aid destined to current production			
			1996 - 1998		1998 - 2000	
	1996 - 1998	1998 - 2000	in million €	€ per employee	in million €	€ per employee
EU	2.191,5	2.113,6	5.960,0	47.421	5.049,0	48.461
D	348,1	639,6	4.898,2	62.511	3.872,9	60.014
E	353,9	388,9	776,4	33.249	728,9	40.363
F	607,4	622,3	285,5	23.706	376,1	39.067
P	0,3	-	-	-	-	-
UK	881,8	462,8	-	-	71,0	5.937

Source: DG Competition

2.4 State aid supporting regional development and cohesion

Share of aid for regional development in manufacturing and services is decreasing

State aid granted specifically to support regional development in the EU amounted to €8 billion in 2000. Just over half the regional aid is targeted to the least developed regions, i.e. areas qualifying for regional aid under Article 87(3)a of the EC Treaty. The remainder is directed to aid, as defined under Article 87(3)c, which "facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest."

Aid granted specifically to support regional development accounted for 10% of total EU State aid in 2000. Put another way, regional aid , as opposed to sectoral or horizontal objectives, accounted for 22% of aid to manufacturing, coal and services (total aid less less agriculture, fisheries and transport). There are large disparities between Member States although this can, in part, be explained by the different ways in which aid schemes are classified (see remark under 2.1).

Table 11: State aid for regional objectives, 2000

in million € at constant prices (1999)

	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Total aid to regional objectives	8.108,5	158,9	4,7	2.172,0	370,3	420,8	1.542,1	146,1	2.078,1	17,8	116,9	146,8	34,9	61,3	99,3	738,5
of which:																
regions under Art. 87(3)c	3.505,7	158,9	4,7	471,6		332,4	1.190,8	75,3	271,5	17,8	116,9	136,4		61,3	99,3	568,6
regions under Art. 87(3)a	4.602,8			1.700,4	370,3	88,4	351,3	70,7	1.806,7			10,4	34,9			169,8

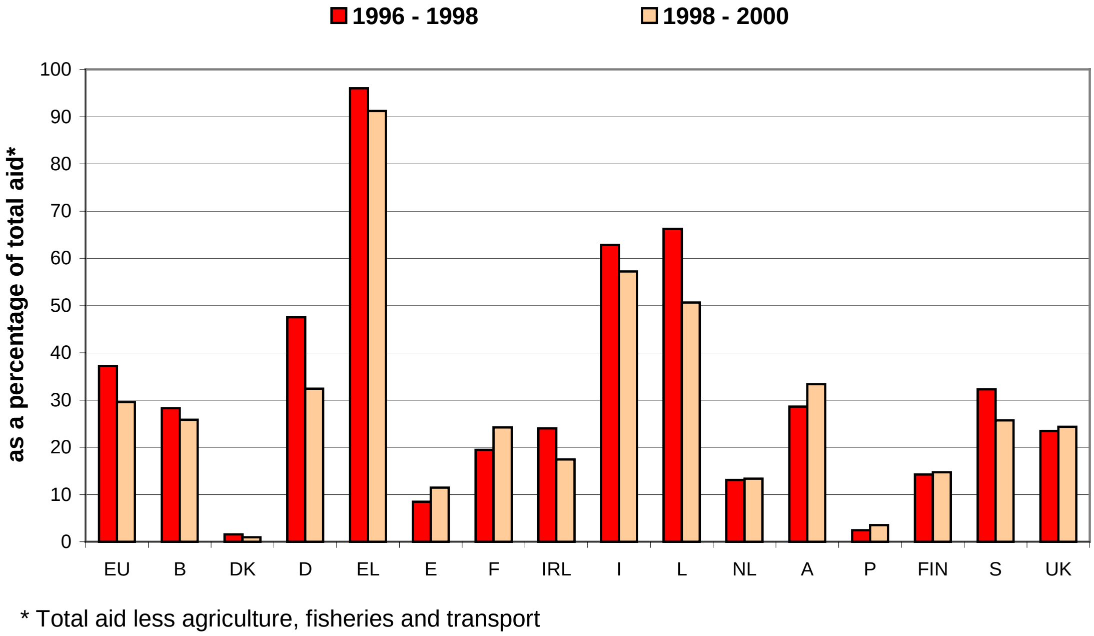
Source: DG Competition

Between 1996-1998 and 1998-2000, aid for regional objectives decreased from an annual average of €19 billion to €12 billion. The share of aid for regional objectives to aid to manufacturing, coal and services fell by 7 percentage points from 37% to 30%. In the majority of Member States, the share either fell or remained stable. The most significant change occurred in Germany where the share dropped from 48% to 32% due to the gradual phasing out of state aid for the new Länder granted by 'Bundesanstalt für vereinigungsbedingte Sonderaufgaben'.

The Barcelona European Council also renewed its call to Member States to redirect State aid towards economic and social cohesion. Due to data constraints, State aid for economic and social cohesion is not assessed at regional level but rather at Member State level. The Scoreboard uses a proxy approach by comparing the four cohesion Member States with the four biggest economies. It should be noted that even for the latter countries, State aid is also granted to a number of regions that are lagging behind.

When considering the overall differences in the Community under the aspect of cohesion, the volume of aid in the four cohesion countries has hardly increased. It has only grown from 12% of total EU aid to the manufacturing, coal and service sectors in 1996-1998 to almost 14% in 1998-2000. Furthermore this increase is mainly due to the inclusion, since 1998, of data on the Irish Corporation tax scheme (annual average of €380 million). By way of comparison, the share of the four big economies, Germany, Italy, France and the United Kingdom, in manufacturing aid decreased from 80 to 76% over this period.

Graph 5: Share of national aid for regional objectives, 1996 - 2000



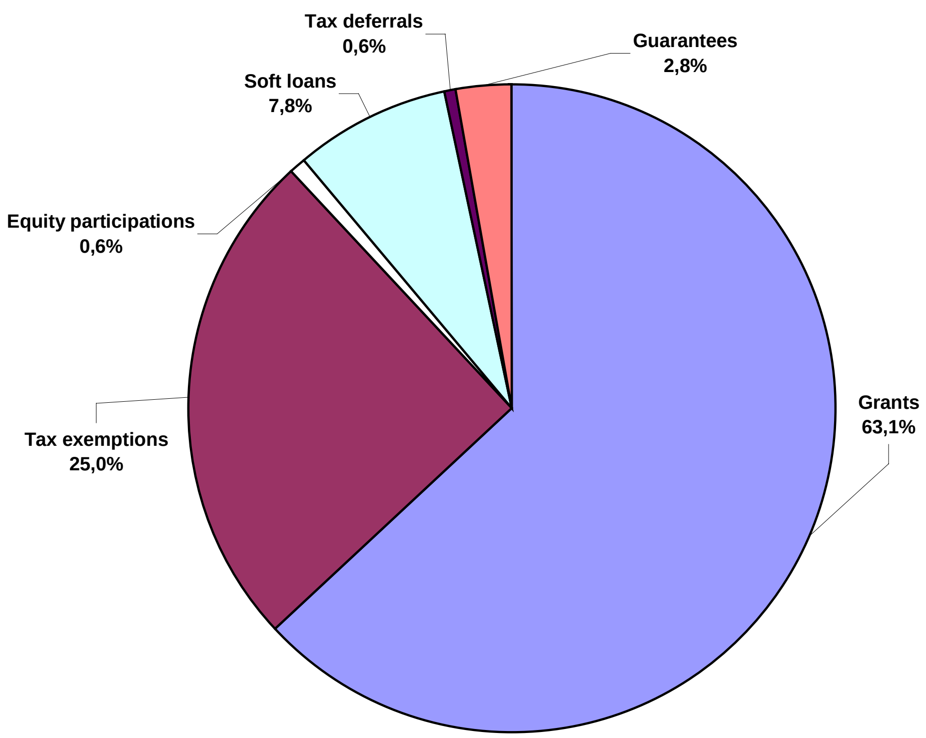
Source: DG Competition

2.5 State aid instruments

Majority of Member States tend to provide aid to manufacturing in the form of grants …

All State aid represents a cost or a loss of revenue to the public authorities and a benefit to recipients. However, the aid element, i.e. the ultimate financial benefit contained in the nominal amount transferred depends to a large extent on the form in which the aid is provided. For the period 1998-2000, grants and tax exemptions, i.e. aid that is transferred in full to the recipient, accounted for almost 90% of all State aid in the manufacturing sector.

Graph 6: Share of each aid instrument in total EU aid to manufacturing, 1998 - 2000



Source: DG Competition

… though significant differences still exist in the use of instruments

Grants are by far the most frequently used form of aid instrument making up 63% of the EU total. In addition to aid awarded through the budget, other aid is paid through the tax or social security system. EU-wide, tax exemptions make up 25% of the total. While Greece, Spain, Luxembourg, Finland and the United Kingdom provide more than 90% of their aid in the form of grants, other Member States make greater use of tax exemptions, particularly France (47%) and Ireland (74%).

There are other forms of aid instrument which vary from one Member State to another (Table 12). One such category covers transfers in which the aid element is the interest saved by the recipient during the period for which the capital transferred is at his disposal. The financial transfer takes the form of a soft loan or tax deferral. The aid elements in this category are much lower than the capital values of the transfers. EU-wide, soft loans represent around 8% of all manufacturing aid. In Germany, Austria, Portugal and Sweden the proportion is significantly higher (11-17%). A similar instrument is a tax deferral which is used by only four Member States. Tax deferrals account for 4% of all manufacturing aid in the Netherlands.

Aid may also be in the form of state equity participation which represent less than 1% of all EU aid to the manufacturing sector. Finally, aid may be provided in the form of guarantees, expressed in nominal amounts guaranteed. The aid elements are normally much lower than the nominal amounts, since they correspond to the benefit which the recipient receives free of charge or at lower than market rate if a premium is paid to cover the risk. However, if losses are incurred under the guarantee scheme, the total loss, net of any premiums paid, is included since it can be considered as a definitive transfer to the recipient. The share of guarantees in overall levels of EU aid to manufacturing amounts to just under 3%.

Table 12: State aid to the manufacturing sector by type of aid instrument, 1998 - 2000

						Percent
	TYPE OF AID					
	Grants	Tax exemptions	Equity participations	Soft loans	Tax deferrals	Guarantees
EU	63,1	25,0	0,6	7,8	0,6	2,8
B	74,6	16,7	3,4	4,1	0,5	0,9
DK	84,7	9,8	0,0	4,2	0,0	1,3
D	55,7	26,1	0,1	11,7	1,2	5,3
EL	95,9	4,0	0,0	0,0	0,0	0,1
E	92,6	0,0	0,9	6,5	0,0	0,0
F	42,6	46,4	0,0	7,6	0,4	3,0
IRL	19,4	73,9	3,9	0,0	0,0	2,8
I	70,1	24,6	1,9	3,2	0,0	0,3
L	94,9	1,4	0,0	3,7	0,0	0,0
NL	77,6	11,4	0,0	6,0	3,8	1,2
A	79,1	0,0	0,1	16,9	0,0	3,9
P	82,9	1,6	2,9	11,0	0,0	1,6
FIN	91,3	1,8	0,4	6,4	0,0	0,1
S	72,4	14,3	1,0	12,2	0,0	0,1
UK	95,8	0,7	0,9	2,6	0,0	0,0

PART THREE: PROCEDURAL PERFORMANCE IN THE EUROPEAN UNION

3.1 Registered aid cases

The Commission controls the Member States' granting of State aid by means of a formal and transparent procedure[2]. In 2001, there were more than 1000 cases registered by the Commission. Around 44% were in the manufacturing, coal and service sectors, 39% in agriculture, 10% in fisheries and 7% in transport. 2001 saw an increase of around 100 notified cases in the agricultural sector, partly due to the BSE crisis.

According to the Council regulation, "any plans to grant new aid shall be notified to the Commission in sufficient time by the Member State concerned." However, for around 15% of investigated aid cases, it was not the Member State but the Commission that had to initiate the control procedure after finding about the aid, for example following a complaint.

With a view to reducing the administrative burden for specific types of aid, two block exemptions, one for small and medium-sized enterprises, the other for training aid came into force in February 2001 (see 3.4 for further information). As one would expect, the number of notifications for these two types of aid fell sharply in 2001 as Member States made use of the block exemptions: the Commission received around 50 information forms on exempted training aid and more than 100 forms on exempted aid for SMEs. Almost two thirds of the information sheets received in 2001 were sent by either Italy or Germany while some other Member States continued, for the time being, to notify such aid.

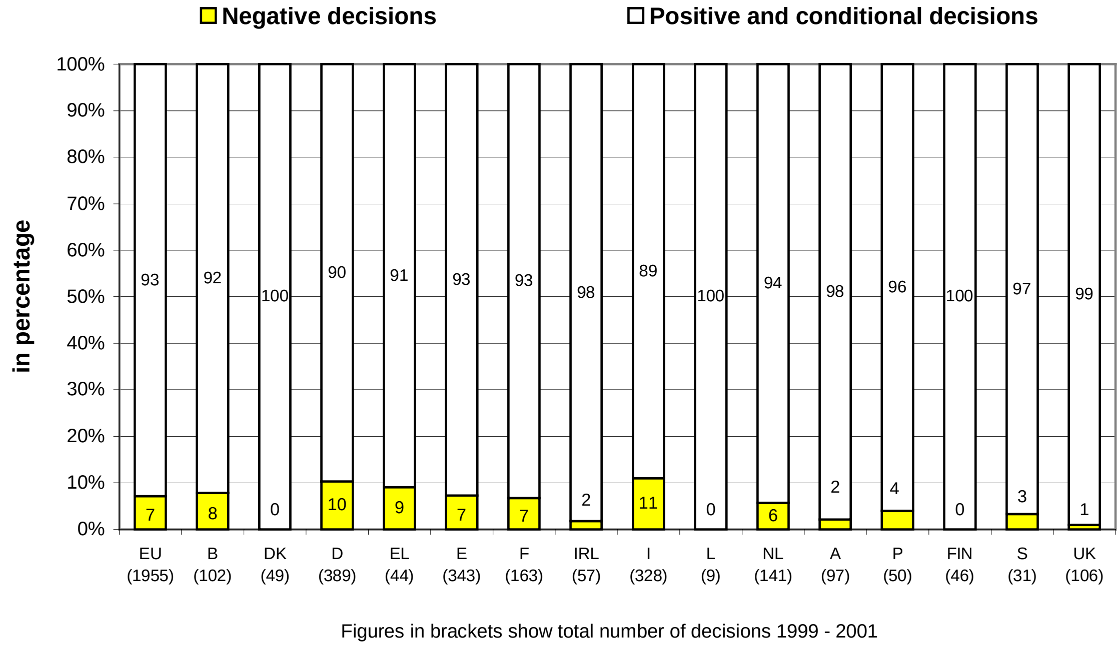
3.2 Commission Decisions

Where the Commission has doubts whether certain aid measures comply with State aid rules, it carries out a formal investigation during which third parties and all Member States are invited to provide observations. In most of the cases, the Commission has, however, no doubt on the compatibility with the State aid rules and allows Member States to award such aid without carrying out a formal investigation procedure. It only opens this procedure when doubts exist. Cases which were only decided upon after the formal investigation procedure represented 12% of all final decisions taken in 2001.

When, at the end of the formal investigation procedure, the Commission comes to the conclusion that the examined aid does not comply with State aid rules and hence is not compatible with the Common Market, it takes a negative decision. Graph 7 shows the share of incompatible and compatible aid cases that have been examined by the Commission. During the period 1999-2001, 7% of all final decisions were negative ones. The total includes conditional decisions which are rather rare with only 8 being recorded during the period.

[2] Council regulation No 659/1999

Graph 7: Share of negative decisions by Member State, 1999-2001



Note: The total excludes those decisions in which the Commission decides that the notified aid does not in fact constitute aid as defined under Article 87(1). There were 43 such decisions in 2001. Source: DG Agriculture, DG Fisheries, DG Competition and DG Transport and Energy.

3.3 Recovery of aid

In case of a negative decision the Commission orders, as a general rule, the Member State to recover aid from the beneficiary if the aid has been already awarded. Table 13 gives an overview of the present situation of these recovery orders.

Table 13: Recovery orders pending at 05.03.2002

In process of execution	Forming part of bankruptcy procedures	Currently object of National court procedures	Currently object of European court procedures	Total number pending
35	20	8	6	69

Note: State aid recovery procedures in sectors other than agriculture, fisheries and transport. Source: DG Competition.

Table 14 provides a breakdown of the amounts of incompatible aid that have to be recovered in Member States. In some cases where the number of beneficiaries is high, it is not possible to specify the exact amount of incompatible aid before it has been reimbursed by the beneficiaries. About half of the amount to be recovered in Germany and almost the entire amount for Italy are attributed to only one case in each Member State.

Table 14: Recovery orders pending and amounts to be recovered by Member State.

Situation at 05.03.2002	**Recovery orders pending**	**Amount to be recovered in million €**	**Number of cases were the amount is not specified**
D	33	1.840	3
E	16	143	13
F	6	223	1
I	5	1.002	2
B	5	40	2
NL	2	<1	1
EL	1	8	0
UK	1	2	0
EU	69	3.259	23

Note: State aid recovery procedures in sectors other than agriculture, fisheries and transport. Source: DG Competition.

3.4 Modernising State aid control

The Commission has embarked on a long-term reform exercise aiming at simplifying State aid procedures for clear-cut cases and concentrating Commission resources on the most serious distortions of competition, with the objective of ensuring that the necessary changes are in place before enlargement.

The entry into force of the first three regulations adopted in principle in December 2000 on the basis of the enabling Regulation (EC) No 994/98 represents an important step in this process. They consist of two regulations introducing block exemptions for aid to small and medium-sized enterprises and training aid[3] and a regulation codifying the *de minimis* rule. [4] Under this rule, aid to an enterprise that does not exceed the threshold of EUR 100 000 over any period of three years is not considered State aid within the meaning of Art. 87 (1) of the Treaty and therefore not subject to the notification obligation.

The block exemptions, which came into force in February 2001, allow Member States to grant aid immediately, without need for prior notification to and authorisation by the Commission, provided the conditions fixed in the exemption regulation are met. The block exemption regulations benefit not only the Commission, but also the national, regional and local administrations in the Member States, since to procedure for granting aid can be much quicker and the administrative burden is reduced. However, this procedural simplification does not entail a lesser degree of control in or a relaxation of the rules on State aid. Several provisions in the regulations make sure that Member States have to inform the Commission through summary information sheets and annual reports, thereby allowing the Commission to monitor the application of the block exemptions. Moreover, since the regulations are directly applicable in the Member States, complainants can also go to national courts if their competitors have received aid which does not respect all the conditions of the exemption regulation concerned.

The Commission is also engaged in a long-term reform exercise simplifying State aid procedures for clear-cut cases and concentrating Commission resources on the most

[3] Regulation (EC) N°68/2001 and N° 70/2001
[4] OJ 2001 L 10 of 13.1.2001

serious distortions of competition. New Community guidelines and frameworks have or are in the process of being drawn up. Aid granted in the area of small and medium-sized enterprises and training, responding to strict criteria currently have been approved by the Commission, are now exempted from notification requirements. Such group exemptions should ensure a reduced level of administrative effort on the part of Member States and the Commission prior to implementation of aid targeted towards these objectives, thereby allowing a greater focus on monitoring the effectiveness of such aid. A new environmental protection framework has been published and its impact on State aid levels will be closely followed up. Rules on the provision of State aid to stimulate the provision of venture capital to provide an important boost to the development of companies and employment have been developed. A new employment block exemption regulation is currently being prepared while work also continues on identifying tax measures in the form of State aid.

Part Four: State aid for small and medium-sized enterprises and the Internal Market

4.1 State aid for small and medium-sized enterprises (SMEs)

State aids to SMEs can benefit from a derogation from the general restriction on state aid in consideration to their contribution to "the development of certain economic activities (..)"[5] (art 87(3)(c)). At its meeting in Cannes in June 1995, the European Council emphasised in its conclusions that SMEs "play a decisive role in job creation and, more generally, act as a factor of social stability and economic drive".

With regard to the contribution of SMEs to the attainment of desirable economic and social goals, mention is typically made to the role of SMEs in innovative activity and to the fact that they are more flexible and adaptable than large firms, helping to keep market contestable and easing the reallocation of resources from declining to emerging sectors. As a result, SMEs also contribute to employment creation and the promotion of social cohesion.

However, the development of SMEs is hindered by a number of factors. The main market failures mentioned in relation to SMEs refer to imperfections in the capital market. The argument is that financial markets are typically reluctant to finance SMEs because of asymmetric information on their profitability and prospects of success. This situation is exacerbated by the limited guarantees which SMEs can offer to their creditors. Other commonly cited market failures affecting SMEs are the fact that, due to limited resources, they are penalised by insufficient access to information (notably on new technologies and markets), and that they are very vulnerable to regulatory changes and to risks in general compared to larger enterprises, whose activities are more diversified. These market failures are considered to constrain the development of SMEs, particularly in the start-up and development phases, therefore warranting the provision of state aid.

Economists note that other policies might actually be more effective in addressing the above mentioned market failures compared to the provision of direct financial support to SMEs. For instance, if the problem identified is access to capital by SMEs, then a first-best response would be to tackle the market failure at its source, such as supporting the establishment of specialised financial institutions or credit-rating agencies for SMEs, promoting venture capital[6] or facilitating SME's access to equity markets (e.g. through the "new markets" stock exchanges). If, on the other hand, the problem for SMEs is the difficult access to information or the high costs of government regulation, then attention could be given to the diffusion of relevant information across the economy and to the reduction of the regulatory burden on businesses. In general, policy makers ought to assess, on a case-by-case basis, whether existing market imperfections affecting SMEs would be better addressed through the provision of state aid, advisory and information services, the intensification of structural reforms, or a combination of these measures.

---

[5] The other necessary condition being that "such aid does not adversely affect trading conditions to an extent contrary to the common interest";

[6] The EC competition rules applicable to the provision of state aid to provide or promote the supply of risk capital, notably to SMEs, were set out in 2001.

4.2 Performance of SMEs and State aid in Member States

Comparison between the performances of SMEs and those of large enterprises

With some notable exceptions (Greece and Sweden), the performance of large enterprises in terms of production (value added) has been slightly better than the performance of SMEs over the period 1996-2001. In contrast with production, employment tends to be negatively correlated to enterprise size over time. However, sustained economic growth over the period 1996-2001 led to employment increases in all countries and size classes of enterprises (with the notable exception of Germany).

Large enterprises (LEs) outperform SMEs in terms of both labour productivity (except for Germany) and, less clearly so, profitability. The sectoral distribution of enterprises explains, in part, the variations in terms of class size and Member States, but, overall, the better performance of LSEs seems to be a structural phenomenon, for instance, in manufacturing, linked to economies of scale and market power effects.

Share of State aid to SMEs

The share of State aid to SMEs varies considerably between Member States and, to a lesser extent, over time. Aid to SMEs as a percentage of total aid (less agriculture, fisheries and transport) ranges from less than 1% in Denmark and Ireland to around 25% in Belgium and Luxembourg. EU-wide, the average is 10% (Table 9). It is important to note that these figures only capture aid for which the primary objective of the Member State is to assist SMEs. Other forms of aid such as regional aid could also help to improve the business environment of SMEs.

4.3 State aid, venture capital and creation of enterprises

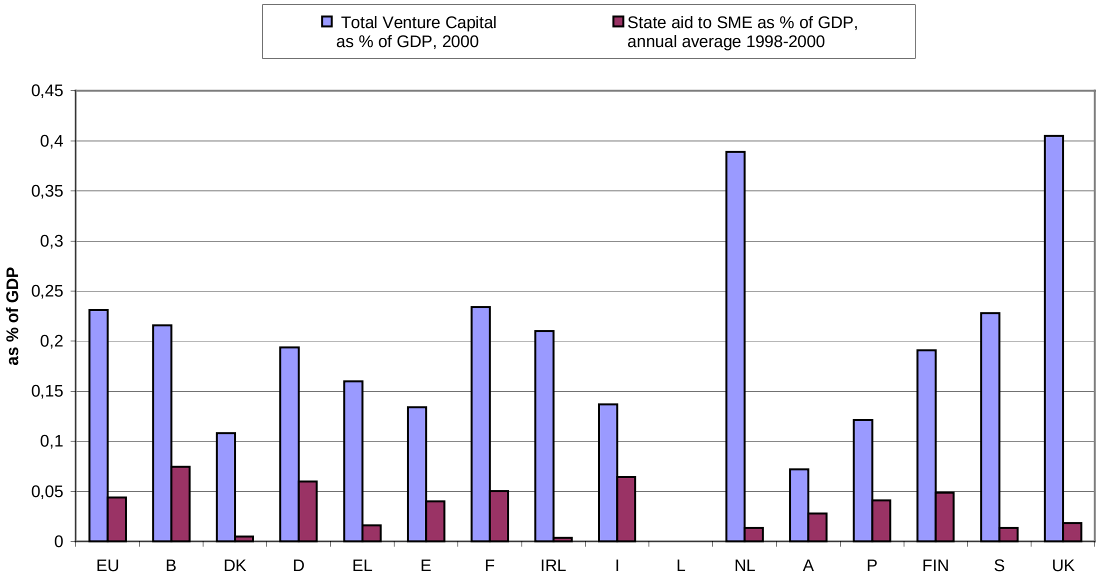
Available information and literature seem to support the hypothesis of both "pull" (economic prosperity) and "push" factors (mainly unemployment) affecting firm creation. The two main obstacles reported by new enterprise founders are funding (before and during the first years of operation) and lack of appropriate information. Public financial grants are considered as a relevant external source of funding, however, the actual launching of a new firm seems not to depend on them[7].

It is tempting to plot State aid to SMEs against venture capital as a way to compare them as alternative sources of funding, even if they are not strictly comparable, nor do they represent the only possible sources. There is no apparent correlation between these two variables, aid to SMEs and venture capital. However, it is interesting to note that the Netherlands and the United Kingdom, with large shares of venture capital, grant relatively low levels of State aid specifically to SMEs (Graph 8). It is important to bear in mind that SMEs often benefit from other types of horizontal aid.

---

[7] For discussion of factors affecting business demography see report "Business demography in Europe", co-ordinated by Instituto Giuglielmo Tagliacarne, in Observatory of European SMEs, forthcoming, 2002.

Graph 8: Venture capital and State aid to SMEs



Note: Total Venture Capital includes early stage, expansion and replacement
Source: DG Competition and Eurostat

4.4 State aid for SME and the regulatory and administrative environment in the Internal Market

By providing State aid to SMEs compatible with the Treaty, Member States can help remove the competitive disadvantages for SMEs resulting from market failures. However, the mere amount of State aid granted to SMEs gives an incomplete indication of the overall impact of public policy interventions on SMEs' performance. SME performance is also affected to a significant extent by the environment in which business operates. Notably, if public policies result in a cumbersome regulatory and administrative framework for businesses, this will impose additional costs to SMEs which, compared to larger firms, are more vulnerable to administrative and regulatory hurdles. This points to the need for a consistent use of the various policy instruments to foster the development of SMEs.

There is no precise and common unit to measure both positive and negative impacts of different public policies and their net impact on SMEs. Nevertheless, there are different indicators measuring in different ways the effects that public polices have on entrepreneurship and SMEs in particular. Combining these indicators with information on State aid to SMEs we can have a more complete and accurate idea of Member States' net support to SMEs. For instance, the intended positive effects of aid could be offset, in part, by an excessive administrative burden or inefficient legislation. On the other hand, the impact of the same aid volume could be enhanced by other policies with beneficial effects on SMEs.

Table 15: Indicators of administrative burden on enterprises

	Setting up a private limited company					State aid to SME as % of GDP
	typical		ranking		average ranking time & cost	ranking
	time (days)	cost (€)	time	cost		
B	32	980	14	11	12,5	15
DK	18	0	4	1	2,5	2
D	22	805	5	8	6,5	13
EL	15	1700	3	14	8,5	5
E	24	1590	6	12	9	8
F	29	213	10	4	7	11
IRL	8	445	2	6	4	1
I	35	1620	15	13	14	14
L	30	850	11	9	10	12
NL	30	885	11	10	10,5	4
A	24	2232	6	15	10,5	7
P	26	600	9	7	8	9
FIN	30	252	11	5	8	10
S	25	186	8	3	5,5	3
UK	7	40	1	2	1,5	6

Source: DG Enterprise 'Benchmarking the administration of business start-ups', 2002 and DG Competition (State aid data).

Table 15 provides information on the typical time and cost to set up a private limited company in each of the fifteen Member States. These are among the most commonly used indicators to measure the administrative burden on business activity. On the basis of a combined time and cost indicator, the administrative burden is lowest in the United Kingdom, Denmark and Ireland and at its highest in Italy, Belgium and Austria. It is interesting to note that Italy and Belgium have relatively high levels of State aid to SMEs (see Graph 8).

The Broad Economic Policy Guidelines for 2002 include a number of recommendations on encouraging entrepreneurship. One of them concerns the creation of a business-friendly environment, whereby Member States should "improve and simplify the corporate tax system and the regulatory environment. Reduce administrative and legal barriers to entrepreneurship to the barest minimum, in particular through a reduction of the typical time and cost required for setting up a new company". Member States have also been invited to "translate into action the commitments made under the European Charter for Small Enterprises" and "encourage risk-taking through improving access to finance especially for SMEs in their early stages". These reforms are aimed to stimulate business creation and expansion, improve productivity and raise the level of potential growth of the European economy.

STATE AID FORA

The online Scoreboard contains internet-links to information on State aid policy issues of the Member States and the European Parliament.

http://europa.eu.int/comm/competition/state_aid/scoreboard/

TECHNICAL ANNEX

The Scoreboard covers national State aid as defined under Article 87(1) EC Treaty that is granted by the fifteen Member States and has been examined by the Commission. Accordingly, general measures are not included in the figures. Neither are Community funds and instruments. All State aid data refer to the implementation of Commission decisions and not cases that are still under examination, which once decided upon, may have an effect on historical data. State aid expenditure is attributed to the year it was made. In cases that result in expenditure over a number of years, the total amount is attributed to each of the years in which expenditure took place.

All data are provided in million (or billion where appropriate) euro at constant 1999 prices.

Further information on methodological issues and a wide array of statistical tables may be found on the online Scoreboard:

http://europa.eu.int/comm/competition/state_aid/scoreboard/

Data for table 1

Total state aid by Member State, in million euro

	1996	1997	1998	1999	2000
EU	105.437,4	99.207,0	93.767,7	83.508,6	82.373,4
B	3.528,4	3.175,7	3.232,4	3.278,7	3.291,6
DK	1.751,1	1.686,5	1.647,8	2.063,7	2.412,5
D	32.342,6	29.466,2	27.867,7	25.113,1	25.043,6
EL	1.592,2	1.712,9	1.254,8	1.124,1	1.084,7
E	6.878,7	6.507,9	6.425,4	5.898,8	5.833,0
F	18.937,0	19.585,3	18.735,1	16.231,4	15.688,9
IRL	550,0	580,2	1.060,1	1.280,0	1.195,6
I	18.789,2	16.232,2	14.071,1	10.788,0	10.432,7
L	159,3	168,9	253,5	253,1	245,1
NL	2.864,8	2.956,3	3.100,0	3.702,4	3.798,5
A	2.396,1	2.335,0	2.205,7	2.093,6	1.964,5
P	1.552,4	2.184,1	1.439,4	1.382,5	1.321,8
FIN	2.062,7	2.082,0	2.070,3	1.876,4	1.833,1
S	2.127,1	1.765,0	1.934,8	1.770,2	1.768,7
UK	9.905,7	8.768,7	8.469,5	6.652,6	6.459,1

Source: DG Competition

GDP by Member State, in million euro

	1996	1997	1998	1999	2000
EU	7.404.435	7.593.490	7.815.153	8.017.896	8.281.651
B	215.907	223.613	228.627	235.538	245.015
DK	153.036	157.573	161.916	165.365	170.666
D	1.874.950	1.901.268	1.938.418	1.974.200	2.033.408
EL	106.190	109.928	113.277	117.080	122.116
E	500.353	520.498	543.046	565.483	588.633
F	1.245.650	1.268.202	1.312.274	1.350.159	1.391.422
IRL	66.724	73.953	80.315	89.029	99.239
I	1.049.538	1.070.745	1.090.125	1.107.779	1.140.032
L	15.088	16.448	17.406	18.449	19.833
NL	332.529	345.302	360.301	373.664	386.642
A	181.894	184.789	191.286	196.658	202.475
P	96.351	100.141	104.669	108.214	111.903
FIN	103.464	109.975	115.837	120.491	127.366
S	205.983	210.244	217.787	227.607	235.826
UK	1.256.778	1.300.811	1.339.868	1.368.181	1.407.076

Source: Eurostat database Newcronos

Data for graph 1

	Total state aid		GDP		State aid as a % of GDP	
	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000	Average 1996 1998	Average 1998 - 2000
EU	99.470,7	86.549,9	7.604.359,5	8.038.233,1	1,32	1,08
B	3.312,2	3.267,6	222.715,5	236.393,4	1,49	1,38
DK	1.695,1	2.041,3	157.508,3	165.982,6	1,08	1,17
D	29.892,2	26.008,1	1.904.878,6	1.982.008,7	1,57	1,31
EL	1.520,0	1.154,5	109.798,4	117.490,9	1,39	0,99
E	6.604,0	6.052,4	521.298,9	565.720,5	1,27	1,07
F	19.085,8	16.885,2	1.275.375,5	1.351.285,0	1,50	1,25
IRL	730,1	1.178,6	73.664,1	89.527,7	0,98	1,32
I	16.364,2	11.763,9	1.070.136,1	1.112.645,6	1,53	1,06
L	193,9	250,6	16.314,1	18.562,7	1,18	1,35
NL	2.973,7	3.533,6	346.044,1	373.535,5	0,86	0,94
A	2.312,2	2.088,0	185.989,8	196.806,4	1,24	1,06
P	1.725,3	1.381,2	100.387,0	108.261,6	1,72	1,28
FIN	2.071,7	1.926,6	109.758,5	121.231,2	1,89	1,60
S	1.942,3	1.824,6	211.338,0	227.073,2	0,92	0,81
UK	9.048,0	7.193,7	1.299.152,5	1.371.708,2	0,70	0,53

Data for table 2

Total state aid by Member State: see Technical Annex table 1.

GDP by Member State: see Technical Annex table 1.

Total population by Member State, in millions

	1996	1997	1998	1999	2000
EU	372,9	373,8	374,7	375,8	377,2
B	10,2	10,2	10,2	10,2	10,3
DK	5,3	5,3	5,3	5,3	5,3
D	81,9	82,0	82,0	82,1	82,2
EL	10,5	10,5	10,5	10,5	10,6
E	39,3	39,3	39,5	39,6	39,9
F	58,0	58,2	58,4	58,6	58,9
IRL	3,6	3,7	3,7	3,8	3,8
I	57,4	57,5	57,6	57,6	57,8
L	0,4	0,4	0,4	0,4	0,4
NL	15,5	15,6	15,7	15,8	15,9
A	8,1	8,1	8,1	8,1	8,1
P	9,9	9,9	10,0	10,1	10,2
FIN	5,1	5,1	5,2	5,2	5,2
S	8,8	8,8	8,9	8,9	8,9
UK	58,8	59,0	59,2	59,5	59,8

Source: Eurostat database Newcronos

Data for table 3

Total state aid by Member State: see Technical Annex table 1.

Total employment by Member State, in millions

	1996	1997	1998	1999	2000
EU	155,62	157,12	159,58	162,18	164,98
B	3,78	3,81	3,86	3,91	3,97
DK	2,63	2,66	2,69	2,72	2,74
D	37,21	37,15	37,55	38,02	38,64
EL	3,81	3,79	3,92	3,89	3,88
E	13,75	14,15	14,65	15,16	15,62
F	22,94	23,06	23,36	23,77	24,19
IRL	1,33	1,41	1,51	1,60	1,68
I	21,74	21,79	21,98	22,24	22,62
L	0,17	0,17	0,17	0,18	0,18
NL	7,30	7,53	7,73	7,92	8,10
A	3,91	3,92	3,95	4,00	4,02
P	4,54	4,62	4,74	4,83	4,91
FIN	2,07	2,14	2,18	2,24	2,28
S	4,06	4,02	4,06	4,15	4,24
UK	26,41	26,92	27,23	27,56	27,91

Source: Eurostat database Newcronos

Gross Government Expenditure by Member State

	1996	1997	1998	1999	2000
EU	3.766.708,9	3.747.703,4	3.778.452,4	3.848.046,4	3.842.099,1
B	114.430,8	115.607,7	116.370,9	119.417,8	122.262,7
DK	91.515,4	91.392,4	92.130,2	91.612,5	91.135,9
D	943.099,9	937.324,9	945.948,1	965.383,9	933.334,1
EL	52.245,6	52.105,9	53.919,8	57.018,0	60.203,1
E	218.654,1	219.650,2	226.993,2	231.847,9	235.453,1
F	691.335,9	697.511,2	707.315,8	722.335,1	734.670,6
IRL	26.422,6	27.658,3	28.271,2	30.982,1	31.756,5
I	558.354,3	547.150,6	540.702,2	541.703,9	530.115,1
L	6.850,0	7.122,0	7.536,9	7.896,2	7.952,9
NL	164.934,4	166.435,5	170.062,3	175.995,5	175.535,3
A	102.952,1	99.601,3	103.677,0	105.605,1	105.084,7
P	43.936,0	44.462,7	46.159,0	49.237,1	49.908,5
FIN	61.974,7	62.465,9	61.625,2	62.896,0	62.027,4
S	134.506,9	132.874,1	132.414,7	137.474,5	137.014,6
UK	555.496,1	546.340,8	545.326,2	548.640,8	565.644,4

Source: Eurostat database Newcronos

Data for table 5

State aid by sector in the Community, 1996 - 2000

million €

	1996	1997	1998	1999	2000
Overall national aid	105.437,4	99.207,0	93.767,7	83.508,6	82.373,4
of which:					
Agriculture	15.562,8	15.557,6	13.297,3	13.971,0	13.932,8
Fisheries	249,2	255,9	309,9	303,7	296,6
Manufacturing	35.521,4	33.384,6	28.470,6	25.026,6	23.844,4
Coal mining	7.908,3	8.107,0	8.439,0	6.039,3	7.009,5
Transport	36.022,9	33.252,8	32.730,7	31.984,3	31.881,8
of which rail transport	34.531,2	31.945,8	32.655,8	31.900,2	31.744,9
Services	6.724,5	5.861,8	7.256,7	2.602,7	2.149,9
Not elsewhere classified*	3.448,3	2.787,4	3.263,5	3.581,0	3.258,5

* The figures include aid to employment and training that can not be classified under a particular sector.

Source: DG Competition

Data for table 7

State aid to the manufacturing sector by Member State.

	1996	1997	1998	1999	2000
EU	35.521,4	33.384,6	28.470,6	25.026,6	23.844,4
B	957,3	632,2	707,3	727,7	590,1
DK	646,0	755,0	661,1	661,0	1.034,8
D	13.374,6	11.630,8	10.630,9	9.597,5	8.924,5
EL	631,2	764,3	515,3	406,0	403,8
E	2.011,5	1.828,6	1.796,8	1.130,3	1.201,8
F	3.668,3	5.430,5	4.268,8	4.901,1	4.509,4
IRL	200,5	158,8	631,2	533,2	481,1
I	10.366,7	8.316,2	5.744,5	3.446,5	3.249,0
L	48,7	51,1	51,3	37,3	36,7
NL	610,6	557,7	553,5	707,4	710,2
A	463,2	524,9	477,6	452,5	400,8
P	197,2	228,6	192,3	226,0	212,5
FIN	336,4	447,7	426,1	411,8	410,6
S	367,3	378,1	448,3	450,0	428,8
UK	1.641,9	1.680,0	1.365,7	1.338,3	1.250,5

Source: DG Competition

Value added manufacturing sector by Member State

	1996	1997	1998	1999	2000
EU	1.424.060,7	1.464.119,2	1.494.445,3	1.497.040,7	1.499.280,8
B	38.936,8	40.644,0	40.845,3	40.182,3	39.475,9
DK	25.363,3	26.031,4	27.245,5	26.657,4	25.910,2
D	391.405,3	398.889,1	409.504,7	412.765,9	419.554,6
EL	13.277,6	13.013,8	12.710,0	13.092,3	13.290,3
E	87.193,9	91.488,6	94.957,6	95.014,7	94.475,5
F	220.791,7	227.556,9	232.016,6	242.683,9	252.067,8
IRL	20.596,1	22.360,6	25.092,7	26.610,2	27.938,1
I	208.481,4	210.708,5	213.143,9	210.438,6	206.462,3
L	2.166,5	2.196,7	2.335,7	2.144,2	1.939,1
NL	56.303,1	58.942,8	61.168,6	61.906,6	61.387,6
A	34.501,7	36.391,2	37.732,8	38.235,0	38.552,7
P	20.678,3	21.165,7	21.759,7	21.397,5	21.098,7
FIN	22.626,1	24.940,9	27.099,5	27.538,3	27.032,6
S	40.126,0	40.209,0	42.121,6	43.602,5	44.902,0
UK	241.612,9	249.580,1	246.711,1	234.771,1	225.193,7

Source: Eurostat database Newcronos

Data for graph 2

	Aid to the manufacturing sector in million €		Value added in the manufacturing sector in million €		Aid to the manufacturing sector as % of the value added	
	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000	1996 - 1998	1998 - 2000
EU	32.458,9	25.780,6	1.460.875,1	1.496.922,2	2,3	1,7
B	765,6	675,0	40.142,0	40.167,8	1,9	1,7
DK	687,4	785,7	26.213,4	26.604,4	2,6	3,0
D	11.878,8	9.717,7	399.933,0	413.941,7	3,0	2,3
EL	637,0	441,7	13.000,4	13.030,9	4,9	3,4
E	1.878,9	1.376,3	91.213,4	94.815,9	2,1	1,5
F	4.455,8	4.559,8	226.788,4	242.256,1	2,0	1,9
IRL	330,2	548,5	22.683,1	26.547,0	1,5	2,1
I	8.142,5	4.146,7	210.777,9	210.014,9	3,9	2,0
L	50,3	41,8	2.233,0	2.139,7	2,3	2,0
NL	574,0	657,0	58.804,8	61.487,6	1,0	1,1
A	488,6	443,6	36.208,6	38.173,5	1,3	1,2
P	206,0	210,3	21.201,3	21.418,6	1,0	1,0
FIN	403,4	416,1	24.888,8	27.223,4	1,6	1,5
S	397,9	442,3	40.818,9	43.542,0	1,0	1,0
UK	1.562,5	1.318,2	245.968,0	235.558,6	0,6	0,6

Data for table 8

State aid to the manufacturing by Member State: see Technical Annex table 7.

Value added manufacturing by Member State: see Technical Annex table 7.

Employment in manufacturing by Member State

	1996	1997	1998	1999	2000
EU	29,948	29,907	30,301	30,119	30,126
B	0,666	0,654	0,655	0,650	0,652
DK	0,450	0,446	0,449	0,439	0,436
D	8,212	8,088	8,120	8,087	8,115
EL	0,626	0,605	0,622	0,613	0,604
E	2,504	2,619	2,753	2,843	2,928
F	3,812	3,737	3,747	3,742	3,770
IRL	0,257	0,275	0,288	0,295	0,300
I	5,096	5,093	5,196	5,171	5,158
L	0,032	0,033	0,033	0,033	0,033
NL	1,051	1,067	1,073	1,080	1,088
A	0,686	0,680	0,681	0,674	0,672
P	0,991	0,990	0,999	0,976	0,966
FIN	0,417	0,429	0,442	0,445	0,454
S	0,768	0,760	0,769	0,766	0,774
UK	4,381	4,431	4,474	4,304	4,176

Source: Eurostat database Newcronos.

Data for table 9

State aid for horizontal objectives, particular sectors, coal and regional objectives, averages 1996-1998

Percentage of total aid less agriculture, fisheries and transport

	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Horizontal Objectives	**26**	**60**	**89**	**18**	**2**	**32**	**20**	**37**	**15**	**32**	**76**	**57**	**26**	**74**	**52**	**48**
Research and Development	8	13	17	7	0	5	14	3	3	7	25	30	1	31	15	4
Environment	1	1	24	1	0	1	0	-	0	4	6	10	-	1	9	0
SME	7	14	3	8	2	8	3	1	9	21	4	13	1	16	7	8
Commerce	1	1	4	0	0	0	2	1	0	1	5	-	0	9	-	2
Energy saving	1	0	15	1	-	1	0	1	0	-	32	1	1	5	4	0
Employment aid	2	12	8	1	-	3	0	5	2	-	0	3	8	11	12	-
Training aid	5	2	17	0	-	14	0	2	-	-	-	-	6	-	6	34
Other Objectives	1	16	-	0	0	1	0	24	1	-	5	-	8	-	0	-
Particular sectors	**21**	**11**	**10**	**4**	**2**	**29**	**51**	**34**	**22**	**2**	**11**	**15**	**72**	**11**	**15**	**7**
Steel	1	0	-	0	1	2	0	7	1	-	-	1	0	-	-	-
Shipbuilding	3	-	7	2	1	19	1	-	2	-	6	-	1	7	-	0
Other Manufacturing Sectors	1	9	0	1	-	5	2	1	1	0		2	1	1	-	0
Rescue and Restructuring	3	1	-	0	-	2	6	-	7	-	0	6	1	-	-	-
Tourism	0	1	1	0	-	1	-	0	1	-	-	6	2	-	-	0
Financial Services	9	-	-	1	-	-	40	25	8	-	-	-	0	-	-	-
Media, Cultural sector & services	3	0	2	0	0	1	3	1	1	2	4		66	3	15	6
Coal	**16**	-	-	**30**	-	**31**	**9**	-	-	-	-	-	**0**	-	-	**21**
Regional aid	**37**	**29**	**2**	**47**	**96**	**8**	**19**	**28**	**63**	**66**	**13**	**29**	**3**	**14**	**33**	**24**
Regions under 87(3)c	8	29	2	4	-	6	12	-	5	66	13	23	-	14	33	17
Regions under 87(3)a	29	-	-	43	96	2	7	28	59	-	-	6	3	-	-	6
Total aid less agriculture, fisheries and transport in million €	**50.391**	**908**	**962**	**17.451**	**637**	**3.694**	**9.405**	**476**	**9.199**	**51**	**597**	**541**	**1.269**	**467**	**599**	**4.133**

Source: DG Competition

State aid for horizontal objectives, particular sectors, coal and regional objectives, averages 1998-2000

Percentage of total aid less agriculture, fisheries and transport

	EU	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Horizontal Objectives	**39**	**72**	**90**	**33**	**6**	**40**	**31**	**59**	**29**	**43**	**79**	**55**	**32**	**75**	**56**	**54**
Research and Development	10	15	13	9	0	7	17	1	5	14	25	29	1	34	18	4
Environment	7	1	30	13	0	1	1	-	0	3	8	12	-	1	24	2
SME	9	21	1	8	4	7	10	0	16	24	7	11	5	13	5	7
Commerce	1	0	2	0	0	0	2	1	0	1	5	-	0	7	-	0
Energy saving	2	0	15	1	-	1	1	1	0	-	16	0	1	13	6	0
Employment aid	3	14	11	1	-	5	0	4	7	-	0	3	9	8	0	-
Training aid	6	5	19	0	-	19	0	1	-	-	-	-	10	0	2	40
Other Objectives	2	16	-	1	1	1	0	52	0	-	17	-	7	-	-	-
Particular sectors	**14**	**2**	**9**	**4**	**3**	**15**	**31**	**23**	**14**	**8**	**8**	**11**	**64**	**10**	**18**	**8**
Steel	0	-	-	-	-	1	-	-	0	-	-	1	0	-	-	-
Shipbuilding	3	-	5	2	1	7	4	-	4	-	4	-	-	6	-	0
Other Manufacturing Sectors	1	0	1	1	-	4	2	1	1	0	-	2	2	1	-	1
Rescue and Restructuring	1	0	-	0	-	2	0	-	2	-	-	2	2	-	-	-
Tourism	1	1	1	0	-	0	0	0	2	-	-	7	3	-	-	0
Financial Services	6	-	-	0	-	-	21	20	6	-	-	-	1	-	-	-
Media, Cultural sector & services	3	1	2	0	1	1	3	3	1	8	4	-	56	3	18	6
Coal	**18**	-	-	**31**	-	**34**	**13**	-	-	-	-	-	-	-	-	**13**
Regional aid	**29**	**26**	**1**	**32**	**91**	**12**	**24**	**18**	**57**	**50**	**13**	**33**	**4**	**15**	**26**	**25**
Regions under 87(3)c	10	26	1	5	-	9	17	4	7	50	13	29	-	15	26	18
Regions under 87(3)a	19	-	-	27	91	3	7	14	50	-	-	5	4	-	-	6
Total aid less agriculture, fisheries and transport in million €	**40.314**	**849**	**1.156**	**14.454**	**447**	**3.314**	**7.732**	**757**	**4.964**	**45**	**691**	**493**	**1.008**	**469**	**558**	**3.377**

Source: DG Competition

Data for graph 3

	Aid to horizontal objectives * in million €		Total aid ** in million €		Aid to horizontal objectives * as a % of total aid **	
	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000	1996 - 1998	1998 - 2000
EU	12.920,3	15.260,8	50.391,0	40.313,9	25,6	37,9
B	533,6	609,3	907,7	848,6	58,8	71,8
DK	854,7	1.035,2	961,8	1.155,7	88,9	89,6
D	3.193,3	4.719,7	17.451,1	14.454,1	18,3	32,7
EL	9,9	26,8	637,0	446,6	1,6	6,0
E	1.179,4	1.303,5	3.694,4	3.313,7	31,9	39,3
F	1.838,2	2.215,7	9.405,5	7.732,1	19,5	28,7
IRL	221,0	448,7	476,4	757,3	46,4	59,3
I	1.340,2	1.310,3	9.199,3	4.964,5	14,6	26,4
L	16,3	18,9	51,3	45,1	31,9	41,8
NL	454,0	543,3	597,2	691,0	76,0	78,6
A	307,2	272,4	540,7	492,6	56,8	55,3
P	313,2	323,0	1.269,1	1.008,1	24,7	32,0
FIN	345,5	352,6	467,4	468,9	73,9	75,2
S	318,2	313,2	599,0	558,4	53,1	56,1
UK	1.995,6	1.768,3	4.133,1	3.377,4	48,3	52,4

* excluding rescue and restructuring

** total aid less agriculture, fisheries and transport

Source: DG Competition

Data for graph 4

	Sectoral aid in manufacturing and services in million €		Total aid less agriculture, fisheries and transport in million €		Sectoral aid in manuf. and services as a % of total aid less agriculture, fisheries and transport	
	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000	1996 - 1998	1998 - 2000
EU	10.573,5	5.985,2	50.391,0	40.313,9	21,0	14,8
B	117,7	19,6	907,7	848,6	13,0	2,3
DK	92,0	109,3	961,8	1.155,7	9,6	9,5
D	713,8	528,7	17.451,1	14.454,1	4,1	3,7
EL	15,4	12,3	637,0	446,6	2,4	2,8
E	1.072,6	512,2	3.694,4	3.313,7	29,0	15,5
F	4.843,7	2.646,3	9.405,5	7.732,1	51,5	34,2
IRL	140,7	176,5	476,4	757,3	29,5	23,3
I	2.080,7	813,6	9.199,3	4.964,5	22,6	16,4
L	1,0	3,4	51,3	45,1	1,9	7,5
NL	64,8	55,5	597,2	691,0	10,9	8,0
A	78,6	55,7	540,7	492,6	14,5	11,3
P	923,9	649,2	1.269,1	1.008,1	72,8	64,4
FIN	55,3	47,1	467,4	468,9	11,8	10,0
S	87,7	101,9	599,0	558,4	14,6	18,3
UK	285,6	253,7	4.133,1	3.377,4	6,9	7,5

Source: DG Competition

Data for graph 5

	Regional aid		Total aid less agriculture, fisheries and transport in million €		Aid for regional objectives as a % of total aid **	
	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000	Average 1996 - 1998	Average 1998 - 2000
EU	18.745,8	11.905,3	50.391,0	40.313,9	37	30
B	256,5	219,6	907,7	848,6	28	26
DK	15,2	11,2	961,8	1.155,7	2	1
D	8.297,7	4.693,2	17.451,1	14.454,1	48	32
EL	611,7	407,4	637,0	446,6	96	91
E	312,2	380,1	3.694,4	3.313,7	8	11
F	1.830,8	1.871,7	9.405,5	7.732,1	19	24
IRL	114,7	132,0	476,4	757,3	24	17
I	5.778,5	2.840,6	9.199,3	4.964,5	63	57
L	33,9	22,9	51,3	45,1	66	51
NL	78,4	92,1	597,2	691,0	13	13
A	154,9	164,4	540,7	492,6	29	33
P	31,7	36,0	1.269,1	1.008,1	2	4
FIN	66,5	69,3	467,4	468,9	14	15
S	193,2	143,3	599,0	558,4	32	26
UK	970,0	821,6	4.133,1	3.377,4	23	24

Source: DG Competition

Data for graph 6

	Average 1998 - 2000	in % of total
Total EU aid to manufacturing	25.780,6	
of which:		
Grants	16.271,4	63,1
Tax exemptions	6.442,8	25,0
Equity participations	166,4	0,6
Soft loans	2.015,2	7,8
Tax deferrals	157,7	0,6
Guarantees	726,9	2,8

Source: DG Competition

Data for graph 7

		Approval without objections	Closing of proceedings with a: Positive decisions	Conditional decisions	Negative decisions	Negative decisions as % of total			Approval without objections	Closing of proceedings with a: Positive decisions	Conditional decisions	Negative decisions	Negative decisions as % of total
EU	1999	539	42	3	44	7,0	I	1999	110	10	1	14	10,4
	2000	571	28	4	53	8,1		2000	92	7	1	15	13,0
	2001	591	37	1	42	6,3		2001	61	9	1	7	9,0
B	1999	47	1	0	0	0,0	L	1999	3	0	0	0	0,0
	2000	23	0	0	5	17,9		2000	4	0	0	0	0,0
	2001	21	2	0	3	11,5		2001	2	0	0	0	0,0
DK	1999	14	1	0	0	0,0	NL	1999	39	2	1	1	2,3
	2000	11	0	0	0	0,0		2000	48	1	1	5	9,1
	2001	23	0	0	0	0,0		2001	38	3	0	2	4,7
D	1999	94	15	1	14	11,3	A	1999	25	0	0	2	7,4
	2000	95	9	1	12	10,3		2000	31	2	0	0	0,0
	2001	123	11	0	14	9,5		2001	36	1	0	0	0,0
EL	1999	11	3	0	3	17,6	P	1999	16	0	0	1	5,9
	2000	9	0	0	1	10,0		2000	16	1	0	1	5,6
	2001	16	1	0	0	0,0		2001	15	0	0	0	0,0
E	1999	92	3	0	5	5,0	FIN	1999	11	1	0	0	0,0
	2000	104	3	1	8	6,9		2000	22	2	0	0	0,0
	2001	112	3	0	12	9,4		2001	9	1	0	0	0,0
F	1999	21	2	0	3	11,5	S	1999	10	1	0	0	0,0
	2000	58	0	0	4	6,5		2000	13	1	0	1	6,7
	2001	68	3	0	4	5,3		2001	5	0	0	0	0,0
IRL	1999	16	1	0	0	0,0	UK	1999	30	2	0	1	3,0
	2000	17	2	0	1	5,0		2000	28	0	0	0	0,0
	2001	20	0	0	0	0,0		2001	42	3	0	0	0,0

Source: EU Commission database Integrated State Aid Information System

Data for graph 8

	Total Venture Capital as % of GDP, 2000	State aid to SME as % of GDP, annual average 1998-2000
EU	0,231	0,044
B	0,216	0,074
DK	0,108	0,005
D	0,194	0,060
EL	0,16	0,016
E	0,134	0,040
F	0,234	0,050
IRL	0,21	0,004
I	0,137	0,065
L		0,058
NL	0,389	0,014
A	0,072	0,028
P	0,121	0,041
FIN	0,191	0,049
S	0,228	0,014
UK	0,405	0,018

Source: DG Competition and Eurostat