

Implementation of the Decision and the Framework of SGEIs: involvement of LRAs in the reporting exercise and state of play as regards the assessment of social services as economic activities

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Aims of the study:

- To analyse **how local and regional authorities (LRAs) were involved in reporting** on the implementation of the Almunia package
- To analyse **challenges of LRAs in implementing** the Almunia package
- To highlight **examples showing how Member States and LRAs tackle these challenges**

Methodology:

- **Desk research** combining documents and literature analysis with a special focus on the Member State reports 2015-2016
- **Interviews** with representatives from national, regional and local authorities in selected Member States for gaining a deeper understanding of challenges and solutions
- For all Member States **examples** on the reporting procedures and implementation options are included to give practical guidance

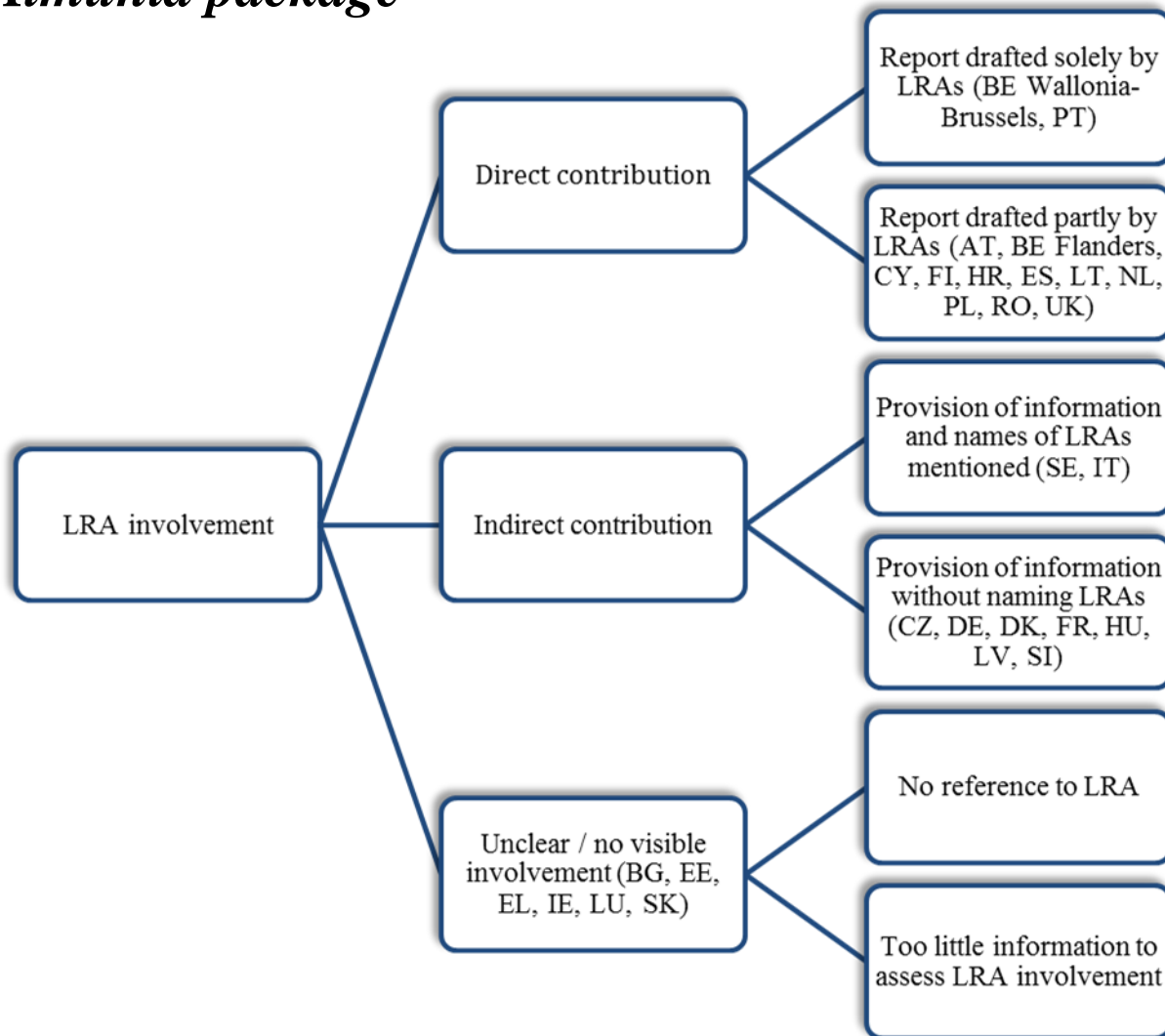
The Almunia package at a glance:

- **SGEI Communication** (2012/C 8/02) – Communication that details the basic concepts of State aid that are relevant to SGEI
- **SGEI Decision** (2012/21/EU) – Decision that provides explanations on the obligation to notify the Commission regarding public service compensation
- **SGEI Framework** (2012/C 8/03) – Communication that sets out the rules for assessing SGEI compensation that constitutes State aid
- **Regulation** (360/2012) on the application of Articles 107 and 108 of the TFEU to the *de minimis* aid granted to undertakings providing services of general economic interest

This package is complemented by:

- **SGEI Guidance** – Commission Staff Working Document on "Guide to the application of the EU rules on State aid, public procurement and the internal market to SGEI and in particular to Social Services of General Interest (SSGI)"
- **Notice on the Notion of State aid** (C 262/01) – providing further clarifications of the package

LRAs are involved in different ways and degrees in the reporting on the Almunia package



Typical challenges for LRAs when implementing the Almunia package:

- applying the Altmark criteria
- differentiating economic from non-economic activities
- calculating the compensation
- determining reasonable profit
- defining relevant SGEI
- regarding the entrustment procedure
- regarding the choice of the most suitable aid instrument
- regarding monitoring to avoid overcompensation
- reporting SGEI in line with the requirements

Particular challenges linked to social services:

- overcoming the friction between the economic logic of the Almunia package and social objectives determining the implementation of social services
- acquiring information and calculating a reasonable profit in the absence of a suitable and comparable market for social services
- calculating compensation for social services taking into account all relevant aspects (apart from reasonable profit)

Typical approaches to facilitate the identification of social services as SGEI:

- detailed differentiation of activities within one type of social service
- characteristics of activities that are considered to have an economic character
- identification of services that have been entrusted (without further specifying the character of the entrusted entity)
- specifications of entities that were entrusted to provide social services
- definition of quality standards that characterise the provided social service
- for social housing: characterisation of target groups

Methods for calculating compensation for social services:

- Both methods suggested in the SGEI Decision are applied; often combined with each other or other additional considerations
- Often the calculation methods are adjusted to individual services within one country
- The variety of measures to avoid overcompensation includes
 - imposing non-profit obligations
 - restricting the use and assignment of dwellings (for social housing)
 - defining specific public welfare obligations
 - specifying transparency rules
 - inspection checks for controlling accreditation conditions

Policy recommendations

- Simplification of the legal framework with fewer requirements regarding the rules to be considered and a lower number of relevant regulations
- Provide better and clearer guidance to Member States and LRAs for the reporting, including the timely provision of templates and accompanying documents
- Regular provision of good examples would support LRAs that explain how to develop good SGEI schemes and data for the reporting and take into account the framework of the respective Member State and public service concerned
- Reflect critically the purpose of reporting average and total spending on SGEI reported under the SGEI Decision
- Revise the overall reporting by asking what information is needed for which purpose