

Draft Guidelines on national regional state aid for 2007-2013

On 15th July 2005, the European Commission's competition services have circulated to Member States' experts draft guidelines on how to apply EC Treaty state aid rules to Member States' aid to regions in the period 2007-13. This marks the latest stage in on-going consultations on the issue. In the light of discussions with Member States' experts, the European Commission intends to adopt the Regional Aid Guidelines (RAG) 2007-13 before the end of 2005.

Summary

1. Population coverage

Under the draft Regional Aid Guidelines (RAG) 2007-13 the overall population coverage would be fixed at 42% of EU-25 population, made up as follows:

- Areas with less than 75% EU 25 GDP per capita (i.e. areas covered by Article 87(3)(a) of EC Treaty) 27.7%
- Statistical effect regions 3.6%
- Economic development regions and low population density areas (automatically eligible under Article 87(3)(c) of the EC Treaty) 4.0%
- Additional Article 87(3)(c) allocation (not foreseen in DG Competition's non-paper of December 2004) 6.7%

In addition, a safety net (again not foreseen in DG Competition's non-paper of December 2004) would be applied to ensure that each Member State maintained a minimum of at least 50% of its current total population coverage for (a) and (c) regions combined. This increases the total coverage to 43.1% of EU-25 population, or 46.7% for EU-27. The total additional (c) coverage of 7.8% (6.7% plus the safety net) is allocated between the Member States according to a repartition key that takes variations in GDP and unemployment at national level into account. The resultant allocations for each Member State are set out in Table 1.

2. Aid intensities

In accordance with recent case law, all aid intensities are expressed in terms of Gross Grant Equivalent.

2.1 Article 87(3)(a)

Because of the huge variation in the relative wealth of the regions eligible under Article 87(3)(a), ranging from 32.1% of EU-25 GDP/cap to 74.9%, it is considered necessary to increase the range of differentials and the maximum aid intensities applicable to the poorest regions. The new maximum aid intensities for aid to large companies proposed are:

< 75% EU-25 GDP/cap (14.05% EU-25 population)	30%
< 60% EU-25 GDP/cap (6.30% EU-25 population)	40%
< 45% EU 25 GDP/cap (7.37% EU-25 population)	50%

The outermost regions (ORs) also receive Article 87(3)(a) status irrespective of their GDP. The ORs with greater than 75% EU-25 average GDP/cap receive an aid intensity of 30% plus a 10% bonus. The others receive the relevant aid intensity above plus a 20% bonus.

In case any region will have an aid intensity reduction of more than 15% net to gross, the reduction may be phased in two stages.

2.2 Statistical effect regions

The regions with less than 75% EU-15 GDP/cap (de facto 82.2% EU-25 GDP/cap) will benefit from Article 87(3)(a) status, and a 30% aid intensity for aid to large companies,

until 1.1.2010 as well as the possibility to grant operating aid. The situation of these regions will be reviewed in 2009. If their GDP has declined below 75% EU-25 GDP/cap, they will continue to benefit from Article 87(3)(a). Otherwise, they will be eligible under Article 87(3)(c) with an aid intensity of 20%.

3 Article 87(3)(c) regions

Low population density regions (<12.5 inhabitants/km²) and regions bordering an Article 87(3)(a) region are always eligible for an aid intensity of 15%. In the case of bordering regions, this may be increased to 20% where necessary to ensure that the differential between the two neighbouring regions does not exceed 20%.

Other Article 87(3)(c) regions, including both the economic development regions and regions designated by Member States are eligible for an aid intensity of 10% or 15% depending on the relative wealth of the region.

Member States are allowed a wide margin of discretion in designating regions to be eligible for aid under Article 87(3)(c). However, only regions that have a certain minimum size or homogeneity and which have either a GDP/cap below 100% of the EU-25 average or unemployment above 115% of the national average will be eligible for aid for large companies. Other regions, which do not meet these conditions, will only be eligible for higher rates of aid for SMEs.

2.4 SME bonuses

A bonus of 20% will be allowed for aid for small enterprises and 10% for medium-sized enterprises in all assisted areas.

2.5 Transitional provisions for the economic development regions

Since these regions may have the highest reductions in aid intensity (in some cases from 40% net to 10% gross) the necessary reductions are to be implemented in three equal stages, on 1.1.2007, 1.1.2009 and 1.1.2011.

3. Operating aid

The forms of operating allowed under the current guidelines will continue to apply, and a new form of operating aid will be permitted to combat depopulation in the lowest population density regions (<8 inhabitants km²). For regions which lose eligibility to grant operating aid, two years will be allowed to phase it out as of the date of loss of eligibility.

4. Enterprise aid

A new form of aid is envisaged to encourage business start-ups in the assisted areas. This will allow aid to be given to support costs of starting a business that are not currently eligible for aid. The aid will be limited to the establishment and expansion phases of small enterprises for the first five years. A decision will be made at a later stage on whether this should be retained in the RAG or included in horizontal SME rules.

5. Other special cases

The additional allocation granted to Member States under Article 87(3)(c) is designed to provide them with sufficient flexibility to deal with the demands of special cases and to avoid a situation where the Commission has to micro-manage regional aid policy.

TABLE 1 REGIONAL AID COVERAGE, 2007 – 2013

In %	Be	Dk	De	Gr	Esp	Fr	Irl	It	Lux	Nl	Ös	Port	SF	Sv	UK	EU-15	Cz	Hu	Cy	Slk	EU-25*	EU-27*
Art 87(3)(a)	0	0	12.5	36.6	36.2	2.9	0	29.2	0	0	0	70.1	0	0	4.0	15	88.6	72.2	0	88.9	27.7	32.2
Stat. effect	12.4	0	6.1	55.5	5.8	0	0	1.0	0	0	3.4	3.8	0	0	0.6	4.3	0	0	0	0	3.6	3.4
Ec dvlp + lpd	0	0	0	7.9	16.3	0	26.5	2.9	0	0	0	0	23.7	13.0	4.4	4.0	0	27.8	0	0	4.0	3.7
Other (c)#	13.2	8.6	11.2	0	1.1	15.5	23.5	1.0	16	7.5	19.5	2.8	11.1	2.4	12.5	9	0	0	50	0	7.5	7.1
Total	25.6	8.6	29.9	100	59.6	18.4	50	34.1	16	7.5	22.9	76.7	34.8	15.4	21.6	32.2	88.6	100	50	88.9	42.8	46.4

* Note, Estonia, Latvia, Lithuania, Malta, Poland and Slovenia all have 100% coverage under Article 87(3)(a) and are therefore omitted from the table, but are included in the EU-25 total. Bulgaria and Romania will also have 100% coverage under Article 87(3)(a) and are included in the EU- 27 totals.

Other (c) is the additional coverage given to Member States beyond what was envisaged in the December 2004 'non-paper'.

TABLE 2
REGIONAL AID INTENSITIES

	2000-2006 NGE#	Non-paper GGE	New proposal GGE
Article 87(3)(a) Large companies			
< 75% EU-25 GDP/cap	40-50%	30%	30%
< 60% EU-25 GDP/cap	50%	35%	40%
< 45% EU-25 GDP/cap	50%	40%	50%
Outermost regions Large companies	50% - 65%	40% - 55%	40% - 60%
Statistical effect Large companies	40%	30% => 15%	30% => 20%
Economic development Large companies	40%	15%	15/10%* (subject to transitional provisions)
Low population density Large companies	30/20%	20%	15%*
Other Article 87(3)(c) Large companies	20/10%	Not eligible	15/10%*
Small enterprises	+ 15% (a) + 10% (c)	+ 20%	+ 20%
Medium enterprises	+ 15% (a) + 10% (c)	+ 10%	+ 10%

These are the maximum intensities theoretically possible under the 1998 RAG. Actual approved aid intensities are frequently lower.

* Subject to special provisions for border regions

