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State aid: Commission adopts new regional aid guidelines for 2007-2013

The European Commission has adopted new regional aid Guidelines under the EC Treaty state aid rules. These Guidelines will apply from 2007 to 2013, the same period as for the next programming period for EU structural funds. The Guidelines set out the rules for allowing state aid which promotes the development of poorer regions, covering aid such as direct investment grants and tax reductions for companies. The Guidelines specify rules for the selection of regions which are eligible for regional aid, and define the maximum permitted levels of this aid.In line with EU cohesion policy and European Council requests for less and better targeted state aid, the new Guidelines re-focus regional aid on the most deprived regions of the enlarged Union, while allowing for the need to improve competitiveness and to provide for a smooth transition.

Competition Commissioner Neelie Kroes said: “The guidelines strike a fair balance between the different interests concerned, support our cohesion objectives, and contribute to the State Aid Action Plan’s focus on less and better targeted aid. I’m delighted that we’ve completed the review in time for Member States to prepare their regional development strategies for 2007-2013.”

Under the current Guidelines, 52.2% of the EU-25 population live in regions eligible for regional state aid, with 34.2% of the EU-25 population living in regions considered to be disadvantaged compared to the overall EU-25 average (and so eligible for aid under Article 87(3)(a) of the Treaty[1]), eligible for the highest rates of aid (40% - 50%), and 18% living in regions which are relatively less disadvantaged (eligible for aid under Article 87(3)(c) of the Treaty[2]) and so eligible for lower aid rates of 10% - 20%.

Under the new Guidelines, the overall population coverage for regional state aid is fixed at 43.1% of the EU-25 population. This includes a safety net to ensure that no Member State loses more than 50% of its current entitlement.

Regions with less than 75% of the EU-25 average per capita GDP (i.e. disadvantaged) qualify for the highest rates of aid under Article 87(3)(a), as well as for operating aid (regional aid aimed at reducing a firm’s current expenses). These regions constitute 27.7% of the EU-25 population. Given the huge disparity in wealth between these regions, ranging from 32.2% to 74.9% of the Community average, they are divided into three categories. This means that where regional aid is given to large companies in these regions, the maximum aid rates are as follows:

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1 Article 87(3)(a) of the EC Treaty states that “aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment” may be considered compatible with the common market.

2 Article 87(3)(c) of the EC Treaty states that “aid to 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” may be considered compatible with the common market.

Regional GDP as % of EU-25 GDP	% of EU-25 population	Maximum aid rates for large companies
<75%	14.05%	30%
<60%	6.30%	40%
<45%	7.37%	50%

Because of their specific handicaps, the outermost regions qualify as disadvantaged under Article 87(3)(a), irrespective of their relative GDP.

So-called 'statistical effect regions' – which have less than 75% of EU-15 GDP but more than 75% of EU-25 GDP (3.6% of EU-25 population) - will benefit from transitional status as 'disadvantaged' and qualify for the lowest rates of aid under Article 87(3)(a) of the EC Treaty, with a 30% aid rate for large companies until 31.12.2010. The situation of these regions will be reviewed in 2010. If their situation has declined, they will continue to benefit from Article 87(3)(a). Otherwise, they will be eligible under Article 87(3)(c) with an aid rate of 20%, as from 1.1.2011.

As regards regions with more than 75% of the EU-25 average per capita GDP, Member States will be able to allocate regional aid at lower rates (between 10% and 15%) under Article 87(3)(c) of the EC Treaty to areas which they can define themselves in line with a national regional development policy, subject to a maximum population coverage and some minimal conditions to prevent abuse.

Transitional arrangements are foreseen until 2010 for regions suffering the biggest reductions in aid rates and, until 2008, for regions losing eligibility under the new Guidelines.

Aid rates can be increased in all assisted areas by 20% where aid is given to small enterprises and 10% where it is given to medium-sized enterprises.

A new form of aid will be allowed to encourage business start-ups in assisted areas, which will apply to the establishment and expansion phases of small enterprises during the first five years.

A new form of operating aid will also be allowed to counter de-population in the least populated areas, and the rules for granting operating aid in the outermost regions are simplified.

The new guidelines also contain a number of other changes to clarify and simplify the current rules. In particular, the rules on very large investment projects of over €50 million are included in the regional aid Guidelines for the first time.

The new Guidelines are available at:

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

Regional Aid Coverage By Population, 2007 – 2013

In %	B	Dk	D	Gr	Esp	F	Irl	I	Lux	Nl	Ös	Port	SF	S	UK	EU-15	Cz	Hu	Cy	Slk	EU-25*	EU-27*
Disadvantaged Areas (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
'Statistical effect' areas	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
Other areas (Art 87(3)(c))	13.5	8.6	11.0	7.9	17.7	15.5	50.0	3.9	16	7.5	19.1	2.8	33.0	15.3	19.3	13.3	0	27.8	50	0	11.8	10.8
Total	25.9	8.6	29.6	100	59.6	18.4	50	34.1	16	7.5	22.5	76.7	33.0	15.3	23.9	32.5	88.6	100	50	88.9	43.1	46.4

* Note, Estonia, Latvia, Lithuania, Malta, Poland and Slovenia have 100% coverage under Article 87(3)(a) of the EC Treaty and are omitted from the table, but 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.

For further information, see also MEMO/05/491.