

Commission Staff working document on Regional aid is published for further discussion with Member States' experts

A Commission staff working document presenting the draft regional aid Guidelines¹ was transmitted to Member States on 15 July 2005, in view of a final round of Multilateral discussions on 15-16 September 2005.

In 2003, the Commission decided to review its approach to the control of national regional state aid for the period 2007-2013, in close cooperation with Member States and other stakeholders. The review is intended to take account of enlargement, progressive deepening of the internal market, European competitiveness and demands for the reduction in overall State aid levels.

The review of regional aid is an integral and integrated part of the general state aid reform, as indicated in the State Aid Action Plan, which provides a roadmap for reform, aimed at delivering a clear and comprehensive framework for state aid.

Three key features and principles of the new Guidelines:

- The need to re-focus regional aid on the most deprived regions of the enlarged Union,
- The need to improve the overall competitiveness of the Union, Member States and regions,
- The need to ensure a smooth transition of the present system of regional state aid control to the new approach.

The approach proposed will be less restrictive than the one discussed with Member States in February 2005. In particular, the new working document takes into account comments by Member States, European Parliament, Committee of Regions and other stakeholders suggesting more flexibility to implement national regional policies.

As a consequence, the following **new** elements are proposed:

- The coverage of regions eligible for regional aid, in terms of population, is increased (from some 35% to some 43% of EU-25 population), and a safety net limiting the losses of Member States to 50% of their current coverage is introduced, thus giving them the possibility to maintain national cohesion policies including investment aid to large firms;
- The so-called statistical effect regions maintain the highest priority status (Article 87(3)(a) status) and thus higher investment aid ceilings and access to operating aid until 1.10.2010;

¹ Available on DG Competition website: http://europa.eu.int/comm/competition/state_aid/regional/

- Appropriate transitional rules for regions losing this highest priority status, or having to adjust to significantly lower aid intensity ceilings;
- Specific rules for border regions, reducing risks of local relocations of industries;
- Increase of the aid intensity ceilings for the regions most in need, (mainly in the new Member States), by up to 10%;
- A new form of aid to encourage business start-ups in the assisted areas;
- Favourable treatment of the so-called outermost regions, by increasing the aid ceilings;
- More flexibility in the definition of low population density areas.

Besides regional aid, other forms of **horizontal aid** will continue to be available everywhere across the EU, including in the regions non eligible for regional aid – aids to promote R&D, innovation, risk capital or entrepreneurship, for employment creation, cultural heritage, or the environment. This approach allows all regions to pursue the Lisbon agenda objectives, to contribute to European competitiveness, and to growth and jobs.

The Commission intends to adopt the Guidelines on regional aid before the end 2005.