

# Procedure file

## Basic information

INI - Own-initiative procedure

[2004/2255\(INI\)](#)

Procedure completed

Role of direct State aid as a tool of regional development

Subject

2.60.03 State aids and interventions

4.70 Regional policy

## Key players

### European Parliament

Committee responsible

**REGI** Regional Development

Rapporteur

Appointed

19/01/2005

PSE [KOTEREC Miloš](#)

Committee for opinion



**ECON** Economic and Monetary Affairs

Rapporteur for opinion

Appointed

The committee decided not to give an opinion.

## Key events

13/01/2005	Committee referral announced in Parliament		
22/11/2005	Vote in committee		Summary
28/11/2005	Committee report tabled for plenary	<a href="#">A6-0364/2005</a>	
13/12/2005	Debate in Parliament		
15/12/2005	Results of vote in Parliament		
15/12/2005	Decision by Parliament	<a href="#">T6-0527/2005</a>	Summary
15/12/2005	End of procedure in Parliament		

## Technical information

Procedure reference	2004/2255(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	REGI/6/25235

Documentation gateway					
Committee of the Regions: opinion		<a href="#">CDR0077/2005</a> <a href="#">OJ C 031 07.02.2006, p. 0025-0031</a>	07/07/2005	CofR	
Amendments tabled in committee		<a href="#">PE364.904</a>	09/11/2005	EP	
Committee report tabled for plenary, single reading		<a href="#">A6-0364/2005</a>	28/11/2005	EP	
Text adopted by Parliament, single reading		<a href="#">T6-0527/2005</a>	15/12/2005	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2006)0053</a>	12/01/2006	EC	
Commission response to text adopted in plenary		SP(2006)0453/2	13/03/2006	EC	

## Role of direct State aid as a tool of regional development

The committee adopted the own-initiative report by Miloš KOTEREC (PES, SK) on the role of direct State aid as a tool of regional development. Given the importance of this type of aid for achieving the priority cohesion objective, MEPs said that a "variable approach" should be taken to it in the general treatment applicable to state aid in the context of a market economy.

The committee believed that the outermost regions should automatically qualify to receive state aid under Article 87(3)(a) of the Treaty and, by the same token, it suggested the same for regions suffering from natural, geographic or demographic disadvantages, "without any increase in the aid intensity proposed by the Commission". MEPs also repeated Parliament's previous demand that the so-called 'statistical effect' regions should maintain their Article 87(3)(a) status right up to the end of the 2007-2013 programming period. They thus rejected the Commission's suggestion that the situation of those regions should be reviewed in 2009.

The report stressed the importance of taking into account all dimensions of cohesion, and called for "appropriate attention" to be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent or demographic handicaps such as regions with very low population density, cross-border regions, islands, and mountain regions. The Commission was urged to consider drawing up specific criteria to help identify such regions and provide them with a level of aid "commensurate with the scale of the problems they face".

Although the Commission intended to use the unemployment rate as a supportive indicator for areas to be defined as eligible for direct state aid under Article 87(3)(a), MEPs also called for indicators to be introduced - such as the per-capita GDP growth rate and a different weighting of the unemployment parameter - which would highlight the various differences in regional development, thereby enabling the Member States to measure more accurately the areas' relative degree of prosperity and hence their eligibility for support. They added that all the indicators used must be compared with the EU average. The Commission should, moreover, urge the Member States to outline "in a transparent manner" both the economic principles and the statistical criteria they intended to use to finally identify the Article 87(3)(a) regions. And MEPs reminded the Member States that local and regional governments should also be consulted during this process.

Among other recommendations, the report urged the Commission to define Community guidelines based on the principle of proportionality for the recovery of aid, where the relevant requirements are not complied with. Lastly, the committee took the view that EU aid for company relocations did not provide any European added value and should therefore be avoided.

## Role of direct State aid as a tool of regional development

The European Parliament adopted a resolution based on the own-initiative report drafted by Miloš KOTEREC (PES, SK) on the role of direct State aid as a tool of regional development. (Please see the summary of 22/11/2005.) Parliament felt that the ceilings of aid intensities applicable to all the categories set out in Article 87(3)(a) of the Treaty and to the outermost regions should remain the same in the new programming period as in the previous 2000-2006 period. The outermost regions should automatically receive the status of areas within the scope of Article 87(3)(a) of the Treaty, and so should regions suffering from severe and permanent natural, geographic or demographic handicaps.

Parliament stressed the importance of all dimensions of cohesion and requested that appropriate attention be paid to rural areas, areas affected by industrial transition, urban areas in decline and regions which suffer from severe and permanent natural or demographic handicaps, such as regions with very low population density, cross-border regions, islands and mountain regions. The Commission was asked, however, to consider drawing up specific criteria that will make it possible to identify the above-mentioned regions and provide them with a level of aid commensurate with the scale of the problems they face.

Parliament went on to state that the statistical effect regions must maintain their status as areas within the scope of Article 87(3)(a) of the Treaty granting them the same treatment as applied to convergence objective regions by the general provisions for Structural Funds and Cohesion Fund. It called for the maintenance of the relevant provisions in respect of the statistical effect regions until the end of the programming period, i.e. until 2013, without a review of their situation in 2009.

Whilst Parliament appreciated that the Commission intends to use the unemployment rate as a supportive indicator for eligible areas to be defined by Member States under Article 87(3)(c) of the Treaty, it stressed the need for indicators which would highlight the various differences

in regional development, thereby enabling the Member States to measure more accurately the areas' relative degree of prosperity and consequently their eligibility for support.

Parliament noted the additional allocation of eligible areas for designation as having the status of areas within the scope of Article 87(3)(c) of the Treaty according to the country ceilings determined by the Commission. It called nonetheless on the Commission to adopt distribution criteria which take into consideration the relative disadvantages of certain Member States so as not to impose stiff penalties on the ones which still display significant and objective internal differences due in part to the existence of underdeveloped regions with the status of Article 87(3)(a) of the Treaty areas. There should be the same distribution criteria and the same correctives laid down in the current guidelines and for authorisation of the requisite modest increase in the total 25-Member EU population ceiling which is eligible for regional aid.

Parliament also called on the Commission to introduce a transitional aid-reduction period for current Article 87(3)(c) regions, which, under the new proposal, would become unassisted regions. The Commission should consider authorising operating aid for areas which from 2007 onwards will lose Article 87(3)(a) of the Treaty status and allow appropriate additional amounts of operating aid to regions suffering from natural, geographic or demographic disadvantages. Furthermore, operating aid covering the additional costs of transport should be allowed in the outermost regions and low population density regions, if it complies with certain objective criteria as defined in paragraph 79 of the draft Regional Aid Guidelines and provided that the public procurement rules guarantee fair price-setting by the companies receiving State aid.

Parliament was satisfied with the Commission's proposal to allow Member States to use regional State aid to address particular economic problems, including localised regional disparities below the NUTS III level, evidenced by lower Gross Domestic Product (GDP), higher unemployment or other recognized economic indicators, by giving them the possibility of granting State aid also to large companies. It urged the Commission to raise the ceiling of State aid intensity further to include a regional component for the benefit of poorer regions, in cases of State aid granted on the basis of the new Horizontal Aid Guidelines.

Parliament urged the Commission to define Community guidelines based on the principle of proportionality for the recovery of aid, where the relevant requirements are not complied with. Finally, it stated that EU aid for company relocations did not provide any European added value and should therefore be avoided.