Regional policy as a part of wider State support schemes

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The Committee on Regional Development adopted the initiative report by Oldich VLASÁK (ECR, CZ) on regional policy as a part of wider State support schemes.

The Committee on Economic and Monetary Affairs, exercising the prerogatives of an associated committee, in accordance with Rule 50 of Parliament's Rules of Procedure, was consulted for an opinion on this report.

Members recall the existence of a mechanism ensuring the effective implementation and application of EU State aid is one of the general *ex ante* conditionalities provided for in the draft set of regulations on Cohesion Policy for 2014-2020. In this context, they make the following recommendations:

Coordination of State aid rules and Cohesion Policy: the report welcomes the Commission's draft regional aid guidelines for 2014-2020 as an integral part of the State aid modernisation programme. It takes the view that the implementation of both Cohesion Policy and the rules on State support schemes to reinforce local and regional investment and public-private partnerships are of key importance for promoting economic, social and territorial cohesion. It asks the Commission **to ensure the State aid modernisation is consistent with the Cohesion Policy regulations** 2014-2020.

The committee believes that regional aid can only play an effective role if it is used sparingly and proportionately and is **concentrated on the most disadvantaged regions of the EU**. It emphasises the structural contribution of aid to regional development, and calls on the Commission to recognise that the crisis criterion of ‘serious disturbance in the economy of a Member State' still applies in the real economy as well as in the financial sector.

Members take the view that the principles which underlie the process of modernisation should be both well coordinated with other EU policies and sufficiently **clear, predictable and flexible** to meet the needs of certain Member States and their regions which are facing a time of crisis and severe economic hardship.

Territorial coverage of regional State aid 2014-2020: Members take the view that the geographical zoning of the new RAG 2014-2020 should be **preserved** or should go beyond the current level of 45 %, and that the aid intensity **should be maintained** at the present level.

Furthermore, the new rules s**hould not have a restrictive impact on investment in and growth of regions as they move from the less developed to the more developed category**. Those regions should have a special safety regime, similar to that for transition regions under Cohesion Policy. In this respect, the report proposes that the regions considered as ‘a' regions in the period 2007 - 2013 should have the predefined status of ‘c' regions for the period 2014-2020.

Members stress the role of State aid in **economies which have been particularly hard hit by the crisis** and for which public funding under Cohesion Policy might be the only source of investment. They propose, in this connection, that consideration be given to **specific regional derogations** outside the regional aid maps, to allow Member States to tackle the backlash effects of the crisis. They also recall the position of the European Council, which has instructed the Commission to ensure that the particular situation of **regions bordering convergence regions** is accommodated for.

The Commission is asked to state clearly in the new RAG the principles of non-degressivity and non-limitation in time for operating aids in the **outermost regions**.

Administrative constraints of the State aid rules in the context of Cohesion Policy: Members believe that the application of State aid rules could be better achieved by focusing on large-scale and better-targeted aid, simplified rules, and extension of the horizontal categories in the Enabling Regulation and the scope of the block exemption rules. They recommend increasing the *de minimis* ceilings.

The Commission is asked to provide promptly for **clear guidance** for assessing what is and is not State aid, as well as for **detailed criteria** for distinguishing between important and less important State aid cases.

Members underline the need to guarantee a correct application of the State aid rules within the Cohesion Policy programmes in **infrastructure projects used for economic activities**.

The Commission is called upon to ensure the **administrative, legal and transparency obligations** of application of the SAM rules remain as clear as possible. Members believe that **certain newly proposed rules** in the draft RAG for 2014-2020 - such as clear evidence that the aid has an impact on the investment choice, or the condition that work on the project must not start before a decision to award aid is taken by public authorities- are **not compatible with the principle of simplification and 'debureaucratisation'**.

Attractiveness of regions and State aid rules: the report stresses the importance of ensuring clear and straightforward rules for regional as well as sector-specific State aid for attracting foreign direct investment to the EU and its regions and for ensuring their global competitiveness. It urges the Commission to **make access to State aid for SMEs** in those most disadvantaged regions **simpler and clearer**.

Members feel that **excluding large enterprises from State aid rules is not justified** given that this could lead to job losses, reduced economic activity in the regions, reduced attractiveness for foreign investment and the relocation of companies to other regions. They consider, therefore, that such companies should remain eligible for State aid in '"c' areas, subject to particular scrutiny following individual notification and to additional compatibility criteria concerning incentive effect and contribution to regional development through clusters and subcontracting.

The report considers that the eligibility of large enterprises for State aid incentives should be determined not only on the basis of the size of the enterprise or the sector in which it operates, but also on the basis of the **estimated number of jobs that could be created and preserved.**