Role of direct State aid as a tool of regional development

2004/2255(INI) - 22/11/2005

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.