Basic information

2004/2255(INI) INI - Own-initiative procedure	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	Rapporteur	Appointed
REGI Regional Development	KOTEREC Miloš (PSE)	19/01/2005

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	

Key events

Date	Event	Reference	Summary
13/01/2005	Committee referral announced in Parliament		
22/11/2005	Vote in committee		Summary
28/11/2005	Committee report tabled for plenary	A6-0364/2005	
13/12/2005	Debate in Parliament		
15/12/2005	Decision by Parliament	T6-0527/2005	Summary
15/12/2005	Results of vote in Parliament		
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 55
Stage reached in procedure	Procedure completed

Committee dossier	REGI/6/25235

Documentation gateway				
European Parliament				
Document type	**Committee**	**Reference**	**Date**	**Summary**
Amendments tabled in committee		PE364.904	09/11/2005	
Committee report tabled for plenary, single reading		A6-0364/2005	28/11/2005	
Text adopted by Parliament, single reading		T6-0527/2005	15/12/2005	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofR	Committee of the Regions: opinion	CDR0077/2005 OJ C 031 07.02.2006, p. 0025-0031	07/07/2005	

Role of direct State aid as a tool of regional development

2004/2255(INI) - 15/12/2005 - Text adopted by Parliament, single reading

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 degreeof 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.