Prezes Urzędu Ochrony
Konkurencji i Konsumentów
Małgorzata Krasnodębska - Tomkiel

POLSKA KONFEDERACJA
PRACODAWCÓW PRYWATNYCH
LEWIATAN
05. 01. 2012
WPŁYNĘŁO
L.dz. KP/1/35

Urząd Ochrony Konkurencji i Konsumentów

DDO-073-13(25)/10/MM/MMach

M. Chmielewska
A. Adamski
M. Krzyżtowski

Warszawa, 4 stycznia 2012 r.

wg rozdzielnika

Szanowni Państwo,

Pragnę uprzejmie poinformować, iż Komisja Europejska rozpoczęła konsultacje z państwami członkowskimi w sprawie przyszłych Wytycznych w sprawie krajowej pomocy regionalnej na lata 2014-2020. W tym celu przygotowała dokument pn. ***„Revision of the regional aid guidelines. Non-paper from the services of DG Competition for discussion at the first multilateral meeting with experts from the Member States"***, który przesyłam w załączeniu, z uprzejmą prośbą o przedstawienie ewentualnych komentarzy, uwag lub zastrzeżeń do dnia **20 stycznia 2012 r.**, w tym również w formie elektronicznej na adres mailowy: marcin.machon@uokik.gov.pl. Zgłoszone przez Państwa uwagi posłużą do przygotowania stanowiska strony polskiej, które zostanie przekazane Komisji Europejskiej oraz zaprezentowane w trakcie spotkania wielostronnego, które ma mieć miejsce w Brukseli w dniach 8 - 9 lutego 2012 r.

Z poważaniem,

Zał. 1

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REVISION OF THE REGIONAL AID GUIDELINES

Non-paper from the services of DG Competition for discussion at the first multilateral meeting with experts from the Member States

1. INTRODUCTION

(1) Following the workshop that DG Competition organised with representatives of EU Member States, EEA Member States and the EFTA Surveillance Authority in March 2011, 16 EU Member States and Norway have submitted written contributions to DG Competition on the topics to be revised in the regional aid guidelines (RAG) for the period 2014-2020.

(2) This non-paper sets out the provisional orientations of the services of DG Competition, based on the written comments received from EU/EEA Member States. This document is intended to serve as a basis for discussion with EU/EEA Member States during the first multilateral meeting to be held on 8-9 February 2012. It does not prejudge the positions of the Commission.

(3) This non-paper addresses the material and sectoral scope of the RAG and the provisions regarding the designation of assisted areas under Articles 107(3)(a) and (c) of the TFEU (regional aid maps).

(4) Issues such as the form of aid (initial investment aid, operating aid, etc.), eligible expenses, rules on cumulation, notification thresholds, compatibility assessment rules[1], etc., will be discussed with EU/EEA Member States during subsequent stages of the preparation of the RAG, including as part of the discussions on the revision of the General Block Exemption Regulation (GBER) for those provisions that would be covered under that Regulation.

2. CONTEXT OF THE REVISION

(5) The context for the next RAG is the following :

(a) GBER: The existence of the GBER since 2008 has widened the possibility for Member States to implement a significant number of aid measures without the need for any prior notification to the Commission. This shift towards more block-exempted between measures also has to be taken into account for the design of the rules on regional state aid.

(b) No major EU enlargement to absorb: Compared to the situation in 2007, where it was necessary to reduce aid coverage in the EU-15 Member

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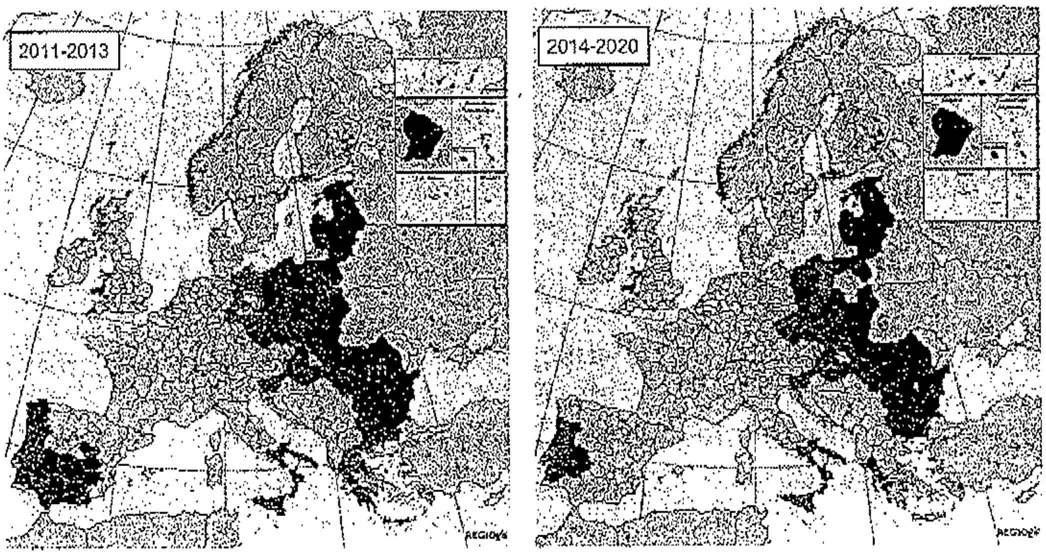
[1] Regarding compatibility assessment rules, it could be foreseen to do way with the current thresholds under paragraph 68 of the RAG and to simplify the assessment process.

States in order to take into account the enlargement of the EU to 12 new Member States, the main challenge for the next RAG will be to achieve a balance among all Member States by concentrating on the regions most in need and, therefore, enabling more efficient regional policies.

(c) Reduction in 'a' regions: Based on the figures currently available for regional GDP (2006-2008 data), in the next period (2014-2020) 24.4 % of the EU-27 population would be located in 'a' regions compared to around 32.1 % in the current period (cf. maps below). The number of 'a' regions would drop from 86 to 67[2].



(d) Effect of the economic crisis: The fact that the level of GDP per capita or unemployment of certain Member States or regions is likely to have deteriorated needs to be taken into account as regards the data used for determining the population coverage of each Member State. The revision of the RAG takes place in the context of severe budgetary constraints in most Member States, although to differing degrees. This will accordingly limit the scope for granting state aid to contribute towards achieving common interest objectives such as economic development in less developed regions. The purpose of state aid policy is to support such economic development while balancing such support against its distortive effects on trade and competition in the internal market. In view of the fiscal consolidation strategies implemented by Member States, there is a need to ensure that state aid rules avoid a fragmentation of the internal market and to prevent the enhanced risk that distorsions of competition and trade could occur on account of different capacities of Member States

[2] Germany would no longer have any 'a' regions. In Greece the number of 'a' regions would fall from 8 to 3, in Spain from 4 to 1, and in the UK from 2 to 1. By contrast, in Italy and Portugal 'a' regions would remain the same. In the EU-12, Poland, Romania, Slovenia would join the Czech Republic, Hungary and Slovakia as being 'a' Member States except for their capital regions, leaving only Bulgaria, Estonia, Latvia and Lithuania as 100 % 'a' Member States.

to grant aid for investment purposes. To limit this risk, it would therefore seem justified to limit the aid intensities for the different types of regions and to focus more on regions most in need from an EU perspective.

3. KEY ORIENTATIONS FOR THE NEW RAG

3.1. Material scope of the RAG

(6) Regional aid consists of initial investment aid or, in certain circumstances, operating aid, which, in both cases, are targeted at specific regions in order to redress regional disparities. While aiming to promote cohesion within the EU, the distortive effects of this aid have to be kept to the minimum and the Commission has to ensure that the positive effects of the aid outweigh its negative effects. As the 'a' regions are those most in need it is desirable to ensure that it would be possible to grant investment aid to all type of companies. As 'c' regions are more developed from an EU perspective, the contribution to regional development of initial investment projects is proportionally less important. At the same time, for projects implemented by large enterprises, the potential distorsions of trade and competition are higher than for projects implemented by SMEs.

(7) An important concern in the context of regional investment aid for large enterprises is that these firms would often have made the investment concerned even without financial support, rendering such support both ineffective and costly. This 'deadweight' cost can occur in all forms of business support (in both SMEs and large enterprises). However, it is more likely to occur for aid to large enterprises. There is a growing body of evidence suggesting that regional investment aid is more effective and efficient when geared towards SMEs[3]. In part, this can be attributed to the observation that access to finance is more often a problem for SMEs than it is for large enterprises. From this perspective, financial support to SMEs can be expected to make more of a difference than financial support to large enterprises. Large enterprises typically have more leverage (bargaining power) vis-ŕ-vis public authorities, as they are relatively more important to the region than individual SMEs. The efficiency of financial support given to large firms, as measured e.g. in terms of cost per job created, may be adversely affected as a result.

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[3] For a general presentation, see Commission Staff Working Paper – Executive Summary of the Impact Assessment accompanying the Proposal for a Regulation concerning the ERDF and the Cohesion Fund, Brussels, 6.10.2011 (SEC/2011/1139 final) for a general presentation (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2011:1139:FIN:EN:PDF); See also C. Criscuolo, R. Martin, H. Overman, J. Van Reenen (2011), "The causal effects of an industrial policy", mimeo Centre for Economic Performance, London School of Economics for recent research on the effectiveness of the Regional Selective Assistance (RSA) program in the UK . The stronger effect of business support policies on smaller firms is also found in: S. Wallsten (2000; for the US) "The effects of government-industry R&D programs on private R&D: the case of the Small Business Innovation Research program" RAND Journal of Economics, 31, 82-100; X. González, J. Jamandreu, and C. Pazó (2005; for Spain) "Barriers to innovation and subsidy effectiveness", RAND Journal of Economics, 36, 930-50; S. Lach (2002; for Israel) "Do R&D subsidies stimulate or displace private R&D? Evidence from Israel" Journal of Industrial Economics, 50, 369-90; R. Bronzini and E. Iachini (2010; for Italy) "Are incentives for R&D effective? Evidence from a regression discontinuity approach", mimeo Bank of Italy; and H. Gorg and E. Strobl (2007; for Ireland) "The effect of R&D subsidies on private R&D" Economica, 74(294), 215-234.

(8) Therefore, the direct negative effects of aid in favour of projects implemented by large enterprises are more likely to outweigh any positive externalities. As a consequence, regional investment aid would be limited to SMEs only in these regions.

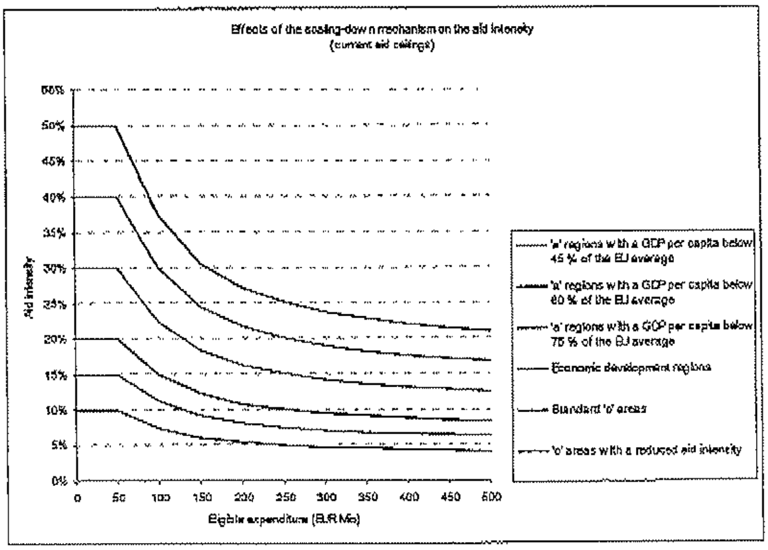
(9) The possibility for Member States to grant non-degressive and non-temporary operating aid in outermost regions and low population density areas would be maintained as such aid enable to address well-identified problems and does not generally raise major competition concerns. As the current provisions on operating aid in 'a' regions have been used in only one measure (in Eastern Germany) and in view of the strong distortive effect of operating aid to large enterprises, the possibility to grant 'general' operating aid in 'a' regions would be limited to SMEs and under conditions similar to those laid down in paragraphs 76-79 and 82-83 of the current RAG.

(10) The possibility to grant start-up aid for newly created small enterprises would be maintained.

(11) Current practice shows that large investment projects (LIP, i.e. projects with eligible expenses above EUR 50 million) are mainly undertaken by large enterprises. Due to the significant potential distortive effects of aid for these projects, such aid is currently subject to an adjusted regional aid ceiling on the basis of the following scale (for SMEs, no bonus may be granted):

Eligible expenditure	Adjusted aid ceiling
Up to EUR 50 mio	100 % of regional ceiling
For the part between EUR 50 mio and EUR 100 mio	50 % of regional ceiling
For the part exceeding EUR 100 mio	34 % of regional ceiling

(12) The current scaling-down mechanism would be maintained. As shown in the graph below, this mechanism enables a significant reduction of the aid levels for large investment projects, which are considered as potentially most distortive.



(13) In order to limit the distortive effect of very large aid amounts granted to large investment projects the eligible costs for which enterprises can receive regional aid would be capped at EUR 500 million. This would enable to reduce the amount of aid for a limited number of cases with very high eligible costs and thus contribute to reducing the deadweight effect of regional state aid (aid in excess of the level required to produce an incentive to invest). Out of 34 LIP cases decided between 1.1.2007 and 12.12.2011 under the current RAG, only nine had eligible costs above EUR 500 million, the average amount of eligible expenditure being EUR 400 million (average aid amount of EUR 55.92 million)[4].

3.2. Sectoral scope of the RAG

(14) Specific state aid rules apply to the production of agricultural products[5] as well as for fisheries and aquaculture sector[6]. These sectors would therefore remain excluded from the scope of the RAG, but the inter-relation with the RAG should be improved.

(15) Specific rules also exist for the transport sector. As a consequence, transport means and equipment would remain excluded from the eligible investment costs for undertakings having their main economic activity in the transport sector and the SME bonuses are not applicable for LIP cases in the transport sector.

(16) The RAG would continue not being applicable to regional aid in the coal industry, which are subject to special rules laid down in specific legal instruments (currently, the 2010 Council Decision on State aid to facilitate the closure of uncompetitive coal mines).

(17) The abovementioned sectors would continue to be excluded from the scope of regional aid given the specific treatment they have in the corresponding state aid legislation. For legal certainty, the scope of application of specific rules would have to be clarified further (in particular for the transport sector).

(18) Specific provisions on regional aid for shipbuilding would be integrated into the next RAG.

(19) The exclusion of the steel and synthetic fibres sectors from the scope of regional aid is a result of a long-established practice intended at prohibiting investment aid in sectors considered to be in overcapacity or in structural decline. DG Competition would welcome comments on the need or not to maintain the

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4 Out of the 135 cases processed as part of the transparency and monitoring provisions laid down in paragraph 65 of the RAG, over the same period, only one has eligible expenditure over EUR 500 million (eligible expenditure: EUR 567.27 million; aid amount: EUR 7.49 million).

5 The RAG do not apply to the production of agricultural products listed in Annex I of the TFEU. They do apply to processing and marketing of such products but only to the extent laid down in the EU legislation specific to the agricultural sector. The GBER does not apply to aid favouring activities in the primary production of agricultural products, except for training aid, aid in the form of risk capital, aid for research and development and innovation and aid for disadvantaged and disabled workers.

6 The applicability of the RAG to the fisheries and aquaculture sector is not mentioned in the RAG. The GBER does not apply to aid favouring activities in the fisheries and aquaculture sectors.

prohibition of regional aid in the steel and synthetic fibres sectors. DG Competition may also foresee a specific consultation of sectoral/industry representatives on this issue.

3.3. Regional aid maps

3.3.1. Overall population coverage

(20) Given the exceptional nature of regional aid, which is intended to focus on cohesion objectives, the total population coverage of assisted areas in the EU should be significantly below that of non-assisted areas (below 50 % of EU population).

(21) The overall population coverage would therefore be set at 42 % of the EU-27 population, which represents the same level in nominal terms as the starting point for the two previous exercises (2007-2013: 42 % EU-25[7]; 1998-2006: 42.7 % EU-15).

(22) Compared to the current regional aid maps as from 1.1.2011, on the basis of Eurostat regional GDP data for 2006-2008 it would appear that the population coverage corresponding to the NUTS 2 regions with a GDP per capita in purchasing power standards (PPS) of less than 75 % of the EU-27 average and to the outermost regions would fall from 35.5 % of the EU-25 population based on 2002 data to 24.4 % of the EU-27 population based on 2008 data. This important relative reduction in the coverage corresponding to 'a' regions could provide scope for reducing the overall population coverage at EU level below 42 % of the EU average.

3.3.2. Data for the design of the maps

(23) In order to reflect the effects of the economic crisis, the regional aid maps would be based on regional GDP data for 2008-2010. As a consequence, the allocation of population coverage per Member States would need to be defined in March/April 2013 (once the Eurostat regional GDP data for 200 has been published).

(24) The possibility of a mid-term review of the maps would also be maintained. DG Competition would welcome comments on whether it could be useful to foresee a mid-term review of the regional aid maps in 2017 and on the scope of such a mid-term review.

3.3.3. Designation of Article 107(3)(a) regions ('a' regions)

(25) In line with the current and well-established definition, 'a' regions would continue to be defined as NUTS 2 regions with a GDP per capita (in PPS) below 75 % of the EU-27 average (Eurostat data; 2008-2010 average for regional GDP, 2010 for population).

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[7] The end result coverage for the EU-27 was 46.6 %

(26) In accordance with Article 107(3)(a) of the TFEU, the outermost regions would be designated as 'a' regions regardless of their level of GDP per capita.

(27) The category of statistical effect regions would not be maintained as it is not justified by the effects of the enlargement of the EU to Bulgaria and Romania in 2007 nor by those of the forthcoming enlargement of the EU to Croatia in 2013. In the period 2007-2011, 16 regions were designated as statistical effect regions (corresponding to 3.38 % of the EU-25 population). Based on projections using data for 2006-2008, it would appear that only five regions would be affected by the statistical effects of the 2007 and 2013 enlargements (corresponding to only 0.8 % f the EU-27 population).

3.3.4. Possibility for Member States to designate certain areas under Article 107(3)(c) with out any specific justification (predefined 'c' areas)

(28) In order to ensure a transition from 'a' status to 'c' status, Member States would be able to designate as 'c' areas, without any specific justification, those regions that were designated as 'a' regions in the maps in 2011 (after the review of the statistical effect regions) but which would no longer be eligible to be designated as 'a' regions in the period 2014-2020 (ex-'a' regions, referred to in the current RAG as 'economic development regions'). However, only those ex-'a' regions with a GDP per capita below 90 % of the EU-27 average would be designated under this category as it can be considered that regions whose level of GDP per capita has increased from below 75 % of the EU-25 average to above 90 % of the EU-27 average are not in need of transitional coverage. By analogy with the current RAG, for the period until 31.12.2017, the aid intensity in ex-'a' regions should be 10 percentage points lower than their previous aid intensity under the 2007-2013 maps and as of from 1.1.2017, the aid intensity would be that of standard 'c' areas. Based on projections using data for 2006-2008, it would appear that only three regions would be affected by the exclusion of regions with a GDP per capita above 90 % of the EU-27 average from the category of ex-'a' regions.

(29) Due to their specific handicaps, Member States would continue to be able to designate as 'c' areas the so-called low population density areas (i.e. NUTS 3 regions with less than 12.5 inhabitants per km$_2$).

3.3.5. Method for the allocation of non-predefined 'c' coverage among Member States

(30) In the current RAG, after deducting from the overall population coverage the allocation for 'a' regions and for economic development regions and low population density areas (if applicable), the balance is distributed among Member States using a distribution key that takes account of variations in GDP per capita and unemployment between the regions, both in a national and EU context. This ensures that Member States which have higher regional disparities, both internally and in relation to regions in other Member State, receive a proportionally higher allocation (see Annex IV of the RAG 2007-2013).

(31) The main principles of the current formula and repartition key would be maintained. However, as the share of the 'a' and predefined 'c' areas in the overall population coverage will be substantially lower in the next period than in

the current one, it is appropriate to give a stronger weight to the EU context in the calculation of the repartition key. Therefore the following changes would be made to the method for the allocation of population share among Member States:

(a) Under Step I of the method (to identify regions with disparities compared to others) the threshold for GDP per capita would no longer relate to NUTS 3 regions with a GDP per capita below 85 % of the national average but, instead, to 90 % of the EU average.

(b) In addition, the threshold for unemployment would no longer relate to NUTS 3 regions with an unemployment level of more than 115 % of the national average but, instead, of the EU average.

(32) Within the set of regions taken into account for calculating the relative level of disparity of each Member State, the effect of these possible changes is to give more weight to regions that have a lower level of GDP per capita or that present a high level of unemployment[8] in relation to the EU average, in particular by excluding from the set of regions which enter into account for the calculation of the relative level of disparity for each Member State of the NUTS 3 regions that do not present significant disparities in terms of GDP per capita or unemployment in relation to the EU average. The implications for the non-predefined 'c' coverage of Member States are the following:

NB: This simulation is based on the statistics for 2006-2008 for regional GDP and 2007-2009 for regional unemployment , taking as hypothesis an overall EU-27 non-predefined 'c' coverage of 10.15 % (overall EU-27 coverage of 42 %). The actual distribution of non-predefined 'c' coverage among Member States would vary according the data used and the population coverage for 'a' and predefined 'c' areas.

Member State	Current share of national population designated as non-predefined 'c' areas (2007-2011)	Share of national population for designating non-predefined 'c' areas – current method (2014-2020)	Share of national population for designating non-predefined 'c' areas – proposed method (2014-2020)
EU-27	7.0%	9.2%	9.9%
EU-25	7.5%	9.7%	10.5 %
EU-15	8.9%	11.4%	12.3 %
Austria	19.0 %	23.4 %	10.3 %
Belgium	13.5 %	15.0 %	14.6 %
Denmark	8.6 %	5.0 %	0.0 %
Cyprus	50.0 %	25.0 %	0.0 %
France	15.5 %	16.4 %	19.6 %
Finland	9.3 %	8.9%	2.9 %
Germany	11.0 %	14.0 %	11.9 %

[8] As far as the unemployment level is concerned, the provision whereby it is considered that sufficient disparity is attained if the region in question has an unemployment figure that is 50 % higher than the national average would therefore be without object. This has the effect of removing the automatic inclusion in the repartition key of regions with a high level of unemployment in relation to the national average.

Greece	0.0 %	2.2 %	3.0 %
Hungary	0.0 %	5.2 %	5.0 %
Ireland	23.5 %	25 %	19.8 %
Italy	0.9 %	2.9 %	2.7 %
Luxembourg	16.0 %	8.0 %	0.0 %
Netherlands	7.5 %	4.1 %	2.8 %
Portugal	2.7 %	3.2 %	4.8 %
Spain	1.1 %	9.3 %	25.6 %
Slovenia	0.0 %	0	6.6 %
UK	12.9 %	17.7 %	13.9 %

3.3.6. *Safety net*

(33) The provision of the current RAG which foresees that no Member State may lose more than 50 % of its population coverage compared to previous map would be modified to apply only, on the one hand, to Member States which consist of one NUTS 2 or 3 region (i.e. Cyprus and Luxembourg, for which there is no possibility to apply the allocation method as internal regional disparities cannot demonstrated) and, on the other, to Member States which have been or will have been designated to receive financial assistance under the Greek Loan Facility and the European Financial Stabilisation Mechanism (EFSM) (i.e. to date: Greece, Portugal, Ireland)[9]. For these two categories of Member States, the reduction in population coverage under the next maps would be limited to 75 % of their previous overall population coverage.

(34) As shown in the table above, this provision would, in practice, affect the following Member States:

(a) Cyprus 37.5 % 'c' population coverage (current 'c' coverage: 50 %);

(b) Greece: 75 % 'a' + 'c' coverage (current 'a' + 'c' coverage: 100 %).

(c) Ireland: 37.5 % 'c' population coverage (current 'c' coverage: 50 %);

(d) Luxembourg: 12 % 'c' population coverage (current 'c' coverage: 16 %).

(35) For other Member States, the fact that the overall population coverage for 'c' areas will in fact increase compared to the 2007-2013 period does not justify such safeguards. There would not be either a minimum population coverage per Member State.

(36) The table in annex provides an overview of the outcome of the proposed changes in Subsections 3.3.1 to 3.3.6 in terms of population coverage per Member State and per category of assisted area.

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9 Member States assisted under the EU balance-of-payments assistance programmes are excluded as the period covered by EU assistance has already expired (Hungary) or is currently foreseen to expire before the entry into force of the RAG (Romania, Latvia).

3.3.7. *Criteria for the selection of non predefined 'c' areas by Member States*

(37) Under the current RAG, Member States can select 'c' areas (in addition to predefined regions) according to the following criteria, which combine objective indicators and take into account the actual economic situation of micro-regions (notably in terms of industrial restructuring and employment):

- Criterion 1 (paragraph 30(c) of the RAG): Contiguous zones of at least 100 000 inhabitants located in NUTS 2 or NUTS 3 regions which have either a GDP per capita below the EU average or an unemployment rate above 115 % of the national average;

- Criterion 2 (paragraph 30(d) of the RAG): NUTS 3 regions of less than 100 000 inhabitants which have either a GDP per capita below the EU average or an unemployment rate above 115 % of the national average;

- Criterion 3 (paragraph 30(e) of the RAG): Islands or other regions characterised by similar geographical isolation which have either a GDP per capita below the EU average or an unemployment rate above 115 % of the national average;

- Criterion 4 (paragraph 30(f) of the RAG): Islands with less than 5 000 inhabitants or other communities with less than 5 000 inhabitants characterised by similar geographical isolation;

- Criterion 5 (paragraph 30(g) of the RAG): NUTS 3 regions or parts thereof adjacent to 'a' regions or that have a border with non-EEA / EFTA countries;

- Criterion 6 (paragraph 30(h) of the RAG): Contiguous zones of at least 50 000 inhabitants which are undergoing major structural changes or are in serious relative decline in relation to other comparable EU regions;

- Criterion 7 (paragraph 31 of the RAG): Areas of at least 20 000 inhabitants which are relatively more in need of economic development than other areas (based on GDP per capita, employment an unemployment levels, local productivity and skills indicators)[10].

(38) For Criteria 1, 2 and 6: For Member States with a non-predfined 'c' population below 1 million inhabitants, the minimum size of the proposed zones should be 50 000 inhabitants for zones designated under Criteria 1 or 2 and 10 000 inhabitants for zones designated under Criterion 6. Based on projections using data for 2006-2008, and applying all modified provisions outlined in this non-paper, it would appear that seven Member States would be affected by this modulation of the minimum size of the zones (Austria, Finland, Greece, Hungary, Ireland, the Netherlands, Portugal). The purposes of this proposed change is to

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[10] In these areas regional investment aid is only allowed for SMEs for projects below EUR 25 million.

introduce some flexibility (modulation of the minimum size of the proposed 'c' areas according to the non-predefined 'c' coverage of each Member State).

(39) Criteria 3, 4 and 5 would be maintained, as these enable to address well-identified regional constraints.

(40) There is no reason to introduce new criteria to take account of the effects of the economic crisis as Criteria 6 and 7, and indirectly, Criteria 1-3, already enable to cover this factor to a sufficient degree. The precise conditions of these criteria could be adapted to better take into account the effects of the economic crisis.

(41) To avoid that 'c' areas could lack geographical consistency, which counteracts the principle of concentration of aid, the following conditions would be introduced:

(a) The zones proposed under Criteria 1, 3, 4, 5, 6 or 7 have to be composed of entire LAU 2 areas (or LAU 1 areas if, as in some cases, these are smaller)[11] or groups of entire LAU 2/1 areas. In LAU 2/1 areas with a population exceeding the minimum size of a zone as defined for the Member State concerned, the proposed zone may include parts of a LAU 2/1 area, provided the population of such parts exceeds 75 % of the minimum required population (i.e. 75 % of 100 000 or 20 000). The rationale for this condition is to ensure that the zones proposed have a minimum size which is sufficiently compact and which avoids a 'sprinkling' of regional aid.

(b) Criteria 6 or 7 would not be applicable in areas that could alternatively be designated under Criteria 1, 2 or 3 (i.e. areas with levels of GDP per capita or unemployment that could make them eligible based on the application of the repartition key to that Member State). Criteria 6 and 7 are intended to address problems that are not necessarily covered by the GDP per capita or unemployment indicators. It is logical to limit the application of these criteria to areas that could not already be designated on the basis of the GDP per capita or unemployment criteria. This would limit the applicability of Criteria 6 and 7 to areas that could otherwise be designated as 'c' areas under other criteria.

3.3.8. *Aid intensities*

Type of region	Large enterprises	Medium-sized / small enterprises
'a' regions with a GDP per capita below 45 % of the EU-27 average*	35 %	45 % / 55 %
'a' regions with a GDP per capita below 60 % of the EU-27 average*	30 %	40 % / 50 %
'a' regions with a GDP per capita below 75 % of the EU-27 average*	25 %	35 % / 45 %
Ex-'a' regions with a GDP per capita below 90 % of the EU-27 average†	–	25 % / 35 %
Standard 'c' areas	–	20 % / 30 %
(Non-assisted areas (SME aid granted on the basis of the GBER))	(–)	(10 %) / (20 %)

* bonus of 10 percentage points for outermost regions with a GDP per capita below 75 % of the EU-27 average; bonus of 5 percentage points for outermost regions with a GDP per capita above 75 % of the EU-27 average. (basic aid intensity for large

11 Local administrative units levels 1 and 2 (formerly referred to as NUTS 4 and NUTS 5).

enterprises: 20 %)
† 'c' areas benefiting from a higher aid ceiling during a transitional period of 3 years.

(42) Member States would no longer be able to grant regional investment aid to large enterprises located in 'c' areas given that aid to large enterprises is more potentially distortive than aid to SMEs. The reason is that aid to large enterprises is only justified in regions where the regional contribution of the aid is more likely to offset its negative impacts, i.e. in regions characterised by a lower level of regional development (i.e. 'a' regions).

(43) The aid intensity ceilings in 'a' and 'c' regions would be reduced as the high level of aid intensities which were necessary to address the level of disparities in the Member States that joined the EU in 2004 are no longer required. Many regions where enterprises are currently eligible for high levels of aid have improved their socioeconomic situation in terms of GDP and employment. There is now less need for aid to enterprises located in such regions.

(44) Given that it is necessary to ensure a smooth transition from 'a' to 'c' status, ex-'a' regions would continue to benefit from a higher aid intensity ceiling than the one applicable for standard 'c' areas during a transitional period of 3 years.

(45) As the 'c' coverage is likely to be higher in the next period than in the current one, the possibility for Member States to designate transitional 'c' regions for a two-year interim period (as in 2007-2008) would be removed[12].

(46) It is relevant to maintain the aid intensity bonuses for outermost regions given the specific handicaps with which these regions are faced. However, the level of these bonuses would be reduced: 10 percentage points for outermost regions with a GDP per capita of less than 75 % of the EU-27 average and 5 percentage points for outermost regions with a GDP per capita of 75 % or more of the EU-27 average.

(47) In order to avoid border effects, it is necessary to foresee a limit to the possible differential in aid intensity between neighbouring 'a' and 'c' regions. Therefore, for 'c' areas, the aid intensity for aid granted to SMEs can be increased by 5 or 10 percentage points (according to the 'c' area status) in the case of a NUTS 3 region, or of a smaller area, which is adjacent to an 'a' region, if this is necessary to ensure that the differential between the two regions does not exceed 20 percentage points.

[12] Under the current RAG this provision applied to regions that were eligible under the previous RAG, under the condition that the overall coverage of (pre-eligible) 'c' areas for the Member State concerned and of such transitional areas did not exceed 66 % of the national population eligible as 'c' areas under the RAG 2007-2013 (the aid intensity in such regions was limited at 10 %).

Annex - Simulations

Member States	Current maps (a)	(c)	total	RAG 2007 method (a)	(c)	total	Proposed method (a)	(c)	total
EU27	32,5	13,7	**46,3**	24,4	17,7	**42,1**	24,4	18,3	**42,7**
EU25	28,3	14,6	**42,9**	20,2	18,3	**38,5**	20,2	19,4	**39,6**
EU15	16,2	16,5	**32,8**	8,3	19,9	**28,2**	8,3	21,4	**29,7**
Belgium	12,4	13,5	**25,9**	0,0	27,2	**27,2**	0,0	26,7	**26,7**
Bulgaria	100	0,0	**100**	100	0,0	**100**	100	0,0	**100**
Czech Republic	88,6	0,0	**88,6**	88,3	0,0	**88,3**	88,3	0,0	**88,3**
Denmark	0,0	8,6	**8,6**	0,0	5,0	**5,0**	0,0	0,0	**0,0**
Germany	12,5	17,1	**29,6**	0,0	26,9	**26,9**	0,0	24,8	**24,8**
Estonia	100	0,0	**100**	100	0,0	**100**	100	0,0	**100**
Ireland	0,0	50,0	**50,0**	0,0	25,0	**25,0**	0,0	37,5	**37,5**
Greece	56,1	43,9	**100**	15,1	43,3	**58,4**	15,1	59,9	**75,0**
Spain	36,2	23,5	**59,6**	6,9	38,0	**44,9**	6,9	54,3	**61,2**
France	2,9	15,5	**18,4**	2,9	16,5	**19,4**	2,9	19,6	**22,5**
Italy	30,2	3,9	**34,1**	28,3	3,9	**32,2**	28,3	3,6	**31,9**
Cyprus	0,0	50,0	**50,0**	0,0	25,0	**25,0**	0,0	37,5	**37,5**
Latvia	100	0,0	**100**	100	0,0	**100**	100	0,0	**100**
Lithuania	100	0,0	**100**	100	0,0	**100**	100	0,0	**100**
Luxembourg	0,0	16,0	**16,0**	0,0	8,0	**8,0**	0,0	12,0	**12**
Hungary	72,2	27,8	**100**	71,0	5,2	**76,2**	71,0	5,0	**76,0**
Malta	100	0,0	**100**	0,0	100,0	**100**	0,0	100,0	**100**
Netherlands	0,0	7,5	**7,5**	0,0	4,1	**4,1**	0,0	2,8	**2,8**
Austria	0,0	22,5	**22,5**	0,0	23,4	**23,4**	0,0	10,3	**10,3**
Poland	100	0,0	**100**	86,4	13,6	**100**	86,4	13,6	**100**
Portugal	70,1	6,6	**76,7**	69,5	3,2	**72,7**	69,5	4,8	**74,3**
Romania	100	0,0	**100**	89,6	10,4	**100**	89,6	0,0	**89,6**
Slovenia	100	0,0	**100**	53,4	46,6	**100**	53,4	6,6	**60,0**
Slovakia	88,9	0,0	**88,9**	88,7	0,0	**88,7**	88,7	0,0	**88,7**
Finland	0,0	33,0	**33,0**	0,0	27,2	**27,2**	0,0	21,3	**21,3**
Sweden	0,0	15,3	**15,3**	0,0	12,5	**12,5**	0,0	12,5	**12,5**
United Kingdom	4,0	19,9	**23,9**	3,1	18,9	**22,0**	3,1	15,1	**18,2**

- Current maps: Situation for the period 2011-2013 after review of the statistical effects regions

- RAG 2007 method: application of RAG 2007-2013 using most recent Eurostat data (GDP 2006-2008 – unemployment 2007-2009)

- Proposed method: Method as described in the non paper using most recent Eurostat data (GDP 2006-2008 – unempl. 2007-2009)