EU competition policy and aid for the outermost regions
Jaime ROJO DE LA VIESCA and Brigitte LEMOIGNE (*)

1. Legal and economic features of the outermost regions
From the standpoint of state aid policy, 2007 was a significant year for the outermost regions (2). Following the expiry of the previous regional aid guidelines and the adoption of the new regional aid guidelines (RAG) for the period 2007-2013 (4), combined with the approval of the regional aid maps for each of the EU Member States, the Commission approved a series of sizable regional aid schemes specifically for these regions.

On 12 September 2007, the Commission also adopted a Communication on the 'Strategy for the outermost regions: achievements and future prospects' (5). Following the adoption of this Communication, it has since launched a consultation on the future of the EU strategy for these regions (6).

Since the outermost regions are an integral part of the European Union, they have to comply with European law. However, the EU Treaty itself provides for special treatment of these regions because of their specific economic and social situation. Article 299(2) of the EU Treaty, introduced by the Amsterdam Treaty in 1997, grants a special status to these regions and provides for specific measures to tackle the unique constraints these regions face.

The 1998 guidelines on national regional aid (7) were amended in the year 2000 (7) to take account of the Amsterdam Treaty and incorporate specific provisions for the outermost regions. A new point was added to the guidelines (8) under which operating aid in the outermost regions qualified for exemption under Article 87(3)(a) and (c) of the EC Treaty without having to be both progressively reduced and limited in time. This sort of operating aid was intended to offset the additional costs of pursuing economic activity in such regions due to the factors identified in Article 299(2) of the Treaty: 'remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development'.

However, the guidelines established that it was the task of the individual Member State to determine the amount of the additional costs and to prove that they were linked to the factors identified in Article 299(2) of the Treaty.

The specific provisions introduced in the 2000 amendment of the regional aid guidelines have been kept in the new RAG 2007-2013 adopted on 21 December 2005. In parallel, the RAG allows relatively high aid ceilings for regional investment and job creation in the outermost regions. The new RAG states clearly that it is the task of the Member State in question to justify the contribution of the projected measure to regional development, and that the level of aid should be proportional to the additional costs the measure is intended to offset.

The economic situation in the outermost regions
The outermost regions have seen a significant improvement in their economic situation over the last decade. Table 1 shows the improvement in per capita gross domestic product (GDP) in the outermost regions over the two reference periods used by the Commission to determine the cut-off points for defining assisted areas in the RAG. All the outermost regions have moved closer to the EU-15 average, but it should be noted that none are above the EU-15 or EU-25 average. The improvement in their economic situation is mirrored by the evolution with respect to the national average. The only exception is the Canary Islands, due to the relatively high growth rate experienced by the Spanish economy. In the case of Madeira, the per capita GDP of the region is even above the national average. The improvement in the economic situation of all the outermost regions with respect to the EU average between 1994-1996 and 2000-2002 could be interpreted as the positive outcome of policies to stimulate regional development in these regions.

(*) Directorate-General for Competition, unit H-1 and Task Force on Ethics Security and Procedures. The content of this article does not necessarily reflect the official position of the European Commission. Responsibility for the information and views expressed lies entirely with the authors. The authors wish to thank Robert Hankin for his valuable comments.
(1) In the EC Treaty the outermost regions are the Azores and Madeira in Portugal, the Canary Islands in Spain, and the French overseas departments of Guadeloupe, Martinique, Réunion and Guyane (commonly known as the Départements d’Outre Mer — DOM).
(4) The consultation process, which will close on 31 March 2008, targets the European institutions, Member States, regional bodies and all other parties concerned, such as stakeholders, employers’ associations, trade unions, academics and researchers.
(5) OJ C 74, 10.3.98, p. 9.
(7) Point 4.16.2.
The regional aid ceilings in the outermost regions remain higher than for other EU regions with similar levels of economic development in continental Europe. As shown in Figure 1, the most disadvantaged outermost region, Guyane, which has a GDP per capita of between 45%–50% of the EU-25 average, has a 20% aid intensity differential comparison with a continental region characterised by a similar economic development. In the most prosperous outermost regions; the Canary Islands and Madeira, the aid intensity differential amounts to 25%, and can be up to 40% in cases where the compared region with a similar level of GDP per capita in continental Europe is no longer eligible for support.

Figure 1: Comparison of aid ceilings at EU level

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Source: European Commission

2. Investment aid as an instrument to promote regional development in the outermost regions

The purpose of investment aid is to compensate local businesses in the outermost regions for the permanent handicaps they face which place them at a disadvantage compared with similar businesses of the same Member State located in mainland Europe.

Investment aid is linked to initial investment in the form of land, buildings and machinery. This aid is allowed on account of its presumed positive impact on regional development and provided that it respects the conditions set in the guidelines. The criteria for fixing the regional aid intensity in the EU regions takes into account the disparity of the wealth of the region concerned relative to the EU-25 average.

(*) The cut-off point of 82.2% of EU-25 GDP per capita corresponds to 75% of EU-15 GDP per capita for the statistical regions. In some cases, regions with a level of economic development above this threshold of 82.2% of EU-25 per capita GDP might lose their support.

Source: European Commission

(9) Evolution of GDP per capita from 1995 (EU-15) to 2004 (EU-27) — French outermost departments: 56% to 64%, Madeira: 66% to 91%, Azores: 52% to 66% and Canary Islands: 76% to 93%.

(10) Unlike the NGE, the GGE does not take into account the effect of taxation to calculate the grant equivalent of aid. This could lead to significant differences in the amount of aid in cases where the aid takes the form of a direct grant.

(11) The wealth of the region concerned is measured in terms of average GDP per capita in purchasing power standard for the period 2000-2002.

Table 1: Trend in GDP per capita in the outermost regions

<table>
<thead>
<tr>
<th></th>
<th>GDP per capita Average 1994-96</th>
<th>GDP per capita Average 2000-02</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU-15=100 Member State=100</td>
<td>EU-15=100 Member State=100</td>
</tr>
<tr>
<td>Guyane</td>
<td>48.0</td>
<td>51.6</td>
</tr>
<tr>
<td>Reunion</td>
<td>45.7</td>
<td>53.3</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>40.1</td>
<td>59.1</td>
</tr>
<tr>
<td>Martinique</td>
<td>54.0</td>
<td>66.3</td>
</tr>
<tr>
<td>Azores</td>
<td>49.9</td>
<td>80.0</td>
</tr>
<tr>
<td>Madeira</td>
<td>53.7</td>
<td>114.0</td>
</tr>
<tr>
<td>Canaries</td>
<td>74.8</td>
<td>94.5</td>
</tr>
</tbody>
</table>

Source: European Commission and Eurostat.

The state aid rules applied in the outermost regions are in line with the basic objective of less and better targeted aid, as defined in the State Aid Action Plan (SAAP) adopted in June 2005, which sets out an indicative roadmap for the reform of the state aid rules for the period 2005-2009. In this context, regional aid is a key instrument in achieving the economic and social cohesion objectives of the Lisbon strategy.

The recently completed review of the RAG rests on the premise that regional aid to large firms should be limited to the regions most in need, if the instrument is to preserve its effectiveness in reducing regional disparities and promoting the overall long-term competitiveness of EU industry. The objective of the RAG is therefore to refocus regional aid on the most disadvantaged regions of an enlarged EU.

In a recently enlarged Europe of 27 Member States, now incorporating 12 relatively poorer Member States, not all the outermost regions now belong to the group of the poorest regions in the EU (*). The reduction in aid intensities within the outermost regions between the two programming periods 2000-2007 and 2007-2013 is in line with the SAAP’s aim of reducing the overall level of aid in the EU. A factor that will undoubtedly help further reduce regional aid levels is the change in allowed aid amounts from ‘net grant equivalent’ (NGE) to ‘gross grant equivalent’ (GGE) (10).

(*) Evolution of GDP per capita from 1995 (EU-15) to 2004 (EU-27) — French outermost departments: 56% to 64%, Madeira: 66% to 91%, Azores: 52% to 66% and Canary Islands: 76% to 93%.

(10) Unlike the NGE, the GGE does not take into account the effect of taxation to calculate the grant equivalent of aid. This could lead to significant differences in the amount of aid in cases where the aid takes the form of a direct grant.

(11) The wealth of the region concerned is measured in terms of average GDP per capita in purchasing power standard for the period 2000-2002.
In view of Article 299(2) of the EC Treaty, the RAG allows the outermost regions to be covered by Article 87(3)(a) of the EC Treaty in recognition of their special handicaps, regardless of whether the region concerned has a GDP per capita of less than 75% of the Community average. At present, the two outermost regions that benefit from this particular provision are the Canary Islands and Madeira. Both regions have a GDP per capita above the 82.2% EU-25 average (**). If it were not for the fact that they are outermost regions, these two regions would have remained eligible only under Article 87(3)(c) of the EC Treaty.

The Reform Treaty approved in Lisbon (13) on 13 December 2007 provides for permanent recognition of the outermost regions as areas coming under Article 87(3)(a) (14). In recognition of their structural, economic and social situation, they receive automatic recognition under Article 87(3)(a) EC Treaty irrespective of their level of economic development. This change in the wording of Article 87(3)(a) means that, regardless of their relative wealth, the Canary Islands and Madeira will retain their status as Article 87(3)(a) regions even beyond 2013.

In order to set the aid intensities for large enterprises in the outermost regions, the RAG follows a double approach. In a first stage, in accordance with point 44 of the RAG, the basic aid intensity is established by taking into account the GDP per capita of the region concerned. In a second stage, in accordance with point 45 of the RAG, a bonus is assigned to the outermost regions in recognition of their specific handicaps. This bonus amounts to 20% GGE if the region’s GDP per capita is below 75% of the EU-25 average and 10% GGE in other cases. The method for calculating the aid intensities for the outermost regions is shown in Table 2 (15).

Table 2: Applicable aid intensity (NGE) for the outermost regions

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP per capita</th>
<th>Rule applied (**)</th>
<th>Applicable aid intensity without bonus</th>
<th>Rule applied</th>
<th>Bonus</th>
<th>Applicable aid intensity with bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madeira</td>
<td>87.84</td>
<td>60%&lt;c</td>
<td>10%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Reunion</td>
<td>60.63</td>
<td>60%&lt;c</td>
<td>30%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>67.32</td>
<td>60%&lt;c</td>
<td>30%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Martinique</td>
<td>74.88</td>
<td>60%&lt;c</td>
<td>30%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>87.79</td>
<td>60%&lt;c</td>
<td>30%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Azores</td>
<td>52.81</td>
<td>60%&lt;c</td>
<td>30%&lt;75%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

(12) The provision ensuring the recognition of the outermost regions as regions covered by Article 87(3)(a) was inherited from the Constitutional Treaty adopted and signed by all Heads of State and Government in 2004.

(13) In recognition of their permanent specific handicaps, an additional correction is made for the outermost regions in that the cut-off point of 75% of EU-25 GDP per capita for reducing the aid intensity is not applicable in the outermost regions.

Source: European Commission

In the case of Madeira and the Azores, the new RAG reduces the maximum aid intensities by more than 15 percentage points, net to gross, from the aid ceilings applicable in the previous programming period. In accordance with the transitional arrangements in point 92 of the RAG, however, the reduction is to be implemented in two stages: the initial reduction of a minimum of 10 percentage points to be applied on 1 January 2007, with the balance on 1 January 2011. Consequently, the applicable aid intensity for Madeira and the Azores is 52% GGE until 31 December 2010, falling to 40% and 50% GGE, respectively, as from 1 January 2011 to 31 December 2013.

In addition, the bonuses for small and medium-sized enterprises in the RAG also apply to the outermost regions: a 20% bonus for aid granted to small enterprises and 10% for medium-sized enterprises.

Simplification of procedures

The approval of the Block Exemption Regulation on regional investment aid (**) (BER RAG) in the second half of 2006 provided a new opportunity...
for Member States to put into effect transparent investment aid schemes that comply with the Regulation without the need to wait for a Commission state aid decision.

In the case of the outermost regions, Portugal has so far introduced two transparent investment aid schemes under BER RAG with registration numbers XR 196/2007 — Incentive Scheme for the regional development of Acores, SIDER (17) — and XR 152/2007 — Regional fiscal aid for investment in the Autonomous Region of Madeira.

The regional block exemption regulation is one instrument the outermost regions can use to put into effect transparent initial investment aid schemes. It is a quite attractive instrument for awarding regional investment aid to companies in these regions given the higher aid intensities that apply there, in particular for small and medium-sized enterprises.

3. Operating aid to compensate for permanent handicaps

In addition to investment aid, the outermost regions can award aid to reduce a company’s operating expenses. Examples of operating aid include public contributions to fund the working capital of the company or to reduce its labour costs or any other operating expenses. This type of aid is considered to have the largest potential to distort competition, since it allows beneficiaries to increase their operating profits by the amount of support received. Its use is thus severely restricted, and even where allowed, it normally has to be provided on a temporary and regressive basis.

In the case of the outermost regions, however, operating aid that is not progressively reduced or limited in time may exceptionally be granted to offset the additional costs of exercising economic activity due to the factors set out in Article 299(2) of the Treaty. The projected aid measures have to be justified in terms of their contribution to regional development and their level must be proportional to the handicaps they seek to alleviate (19). It is for the Member State to demonstrate the existence and relevance of these handicaps.

In view of the specific constraints faced by the outermost regions, the Commission has introduced a ‘safe harbour’ provision in RAG 2007-2013 under which operating aid of up to 10% of the turnover of the beneficiary may be awarded without the need for specific justification. This provision in footnote 74 of the RAG has been used so far only in a single case involving an aid scheme to support local beer producers in Madeira (19).

It is thus up to the Member State concerned to demonstrate that any proposed aid above the 10% turnover of the beneficiary is justified in terms of its contribution to regional development, and that its level is proportional to the additional costs linked to the factors identified in Article 299(2).

To be approved by the Commission, operating aid in the outermost regions should meet the following criteria:

— It should in principle only be granted in respect of a predefined set of eligible expenditures or costs (20) and limited to a certain proportion of those costs;

— The amount of aid must be limited to what is necessary to offset an identified and quantified handicap;

— The Member State should demonstrate that there is no risk of overcompensation, in particular through the combination of different types of aid under other schemes. In such cases the Member State must specify, for each scheme, the method by which it will ensure that there is no overcompensation.

The additional transport costs faced by businesses operating in the outermost regions may also be offset by specific measures. They can cover the cost of transporting the locally produced good to the mainland territory of the country concerned or transporting primary commodities, raw materials or intermediate products from their place of production to the final processing location within the outermost region concerned. Export aid is excluded.

Such aid to transport must be objectively quantifiable in advance, and an annual report must be drawn up to show, among other things, the operation of the ratios used. The estimate of additional costs must also be based on the most economical form of transport and the shortest route using that form of transport between the place of production or processing and commercial outlets, including any external environmental costs of the transport.

(20) For example, replacement investment, transport costs or labour costs.
So far, the Commission has approved one scheme to compensate for additional transport costs between mainland France and the French départements d’outre-mer (DOM) \(^{(25)}\).

The Commission will not approve any operating aid to the financial services sector or for intra-group activities under the RAG, since support for such activities is likely to result in a substantial distortion of competition while not significantly contributing to regional development. The activities concerned can be shifted from one location to another for tax optimisation purposes without creating a significant number of jobs and stimulating local activity \(^{(22)}\). However, non-sector-specific schemes aiming to offset additional transport and employment costs and covering these activities as well can be approved under point 78 of the RAG.

In order to assess the effect of operating aid on trade and competition, the new RAG requires the Member State concerned to submit an annual report on each outermost region, giving for each operating aid scheme a breakdown identifying the total expenditure or estimated foregone revenue as well as the ten main beneficiaries (according to the level of aid received), together with the amount of aid granted and the sector concerned. These reports should enable the Commission to check the proportionality of the measure at the micro level.

4. Recent application

In what can be understood as an effort to consolidate the mechanisms to offset the additional costs faced into a single aid scheme, both Spain and Portugal have proposed single large schemes covering the various sources of additional costs. This approach is welcome on purely efficiency grounds, since it allows the Commission to perform an overall assessment of the proportionality of the measure without the need to introduce additional provisions to limit the potential cumulation of the aid with other measures compensating for the same additional costs (e.g. requiring a commitment from the Member State that aid under one measure cannot be cumulated with aid from another).

In contrast, France opted to implement a separate measure for each of the additional costs identified. Consequently, it notified ten different aid schemes to the Commission. Since all ten schemes had to be assessed in accordance with the RAG, and since an important element in the assessment is the cumulation of aid from different measures, possibly leading to over-compensation, the Commission considered the ten schemes together in a common decision taken on 18 July 2007 \(^{(23)}\) to improve transparency and effectiveness. These cases involved both investment and operating aid.

In the case of Spain, the Economic and Fiscal Regime (REF) \(^{(24)}\), the Special Economic Zone (ZEC) \(^{(22)}\) and the tax on imports and delivery of goods in the Canary Islands (AIEM) \(^{(22)}\) schemes provide for a series of tax advantages to companies established in the Canary Islands. The REF offers tax advantages by exempting companies from paying transfer taxes, plus a fiscal discount on the income from the sale of goods produced in the Canary Islands. The REF can also take the form of a tax reduction on those profits generated in the region which are set aside to constitute an investment reserve in the Canary Islands (RIC). The ZEC provides tax advantages in the form of a reduction in the rate of corporate tax, plus a tax exemption from transfer tax and from the Canary Islands’ indirect tax. In budgetary terms, for the period 2007-2013, the foregone fiscal revenue under the REF is EUR 7 billion, approximately EUR 1 billion per year, while for the ZEC the indicative budget is estimated at EUR 261 million for the period 2007-2019. Consequently, given the resources mobilised, the REF has an enormous potential to contribute to regional development, while the ZEC remains more limited in scope.

Part of the REF was considered to qualify as regional investment aid. This part complied with the conditions set for regional investment aid in


\(^{(26)}\) Commission decision of 16.4.2008 on State aid NN 22/2008 — ES — Arbitrio sobre las importaciones y entregas de mercancías en las Islas Canarias.
the RAG and respected the ceiling applicable in the Canary Islands (40% GGE for large enterprises). The remaining measures under the REF were considered to qualify as operating aid.

The justification for the operating aid part of these schemes was provided by two studies carried out by an independent research organisation, the Centro de Estudios Económicos de la Fundación Tomillo (27). The studies estimated the additional costs faced by the Canary Islands economy and justified the proportionality of the two measures, the REF and the ZEC, at the macro-aggregate level. Table 2 shows the estimated additional costs of the private sector in the Canary Islands in 1999 as reflected in one of the studies submitted to the Commission.

Figure 2: Additional costs of the private sector in the Canary Islands, 1999

Source: Consejería de Economía y Hacienda. Los Costes de la Ultraperiferia Canaria, 2001

The additional costs of the private and public sectors in the Canary Islands amounted to 16.2% of its GDP in 1999 and 2.4% of GDP in 2001, respectively. In line with the results of the studies submitted, the additional costs of the Canary Islands were estimated at around EUR 4.4 billion in 2000 and EUR 5.9 billion in 2004.

Given that the REF and ZEC are the two main operating aid schemes in the Canary Islands, the Commission considered both measures together to assess their proportionality. Since the combined advantage conferred by both aid schemes remained significantly below the additional costs faced by the beneficiaries in the Canary Islands, the Commission concluded that the measures did not in principle result in overcompensation and were proportional and targeted to the specific handicaps they were seeking to alleviate.

In addition, the Spanish authorities provided evidence quantifying the contribution of the aid to regional development. This was based on the results of an empirical study carried out by an independent research organisation, the Fundación de Estudios de Economía Aplicada (FEDEA) (28). For this purpose, the study compared the economic situation of the Canary Islands with and without the scheme (29). The main results, for the period 1994-2004, were that the REF resulted in an increase of 0.20% in the region’s GDP (from 3.43% to 3.63%), an increase of 0.20% in per capita income (from 1.60% to 1.80%), an increase of 0.15% in regional employment (from 4.36% to 4.52%), and a decrease of 0.124% in average unemployment (from 16.82% to 16.69%), and an increase in 0.05% (from ~0.89% to ~0.85%) (30). In addition, the study also provided projections for the application of the scheme until 2013. The results from the simulations indicated that the Canary Islands would grow at an annual rate of 3.5% with the REF and at a rate of 3.28% without it. The average increase in real income per inhabitant in the Canary Islands would amount to EUR 400.

In the case of Portugal, the Zona Franca da Madeira (ZFM) (31) comprises an industrial free zone, an international services centre and an international shipping register. The indicative budget of the ZFM for the period 2007-2020 is estimated at EUR 300 million (approximately EUR 22.5 million per year). The new companies licensed to conduct business in the ZFM in 2007-2013 will benefit from a reduced tax rate of 3% in 2007-2009, 4% in 2010-2012 and 5% in 2013-2020. Access to the scheme will be restricted to companies that meet specific eligibility criteria, based on the number of permanent jobs created. The tax benefits will be limited by a ceiling on the taxable base per company, which ranges from €2 million (where less than three new jobs are created) to €150 million (where more than 100 new jobs are created). At the macro level, a study provided by the Portuguese authorities estimated the additional costs of Madeira to be EUR 400 million, or 16.7% of its GDP, in 1998. The proportionality of the measure was demonstrated, since the budget


(29) The results are based on simulations using the HERMIN macro-econometric model.

(30) Measured in terms of annual cumulative growth.

for the measure, corresponding to EUR 300 million in foregone tax revenues until 2020, remains well below the additional costs identified. At micro level, the tax advantages provided by the measure are also capped, with the ceiling depending on the number of jobs created by the aid beneficiary.

The ten aid schemes approved in 2007 for the French overseas departments under the EU state aid rules concern exemptions from tax and social security contributions. The total budget for these measures amounts to EUR 1.8 billion a year. The Commission decisions on these measures have introduced a double limit on the amount of aid to be awarded. The Commission notes that the additional costs covered by each of the measures have been identified (see table below). It has also carried out an overall review of the level of aid in relation to the gross domestic product of the four overseas departments to assess the proportionality of the measures in relation to the additional costs, since no overall quantification of private and public sector costs for the French overseas departments was provided by the French authorities. The Commission notes that the total aid notified is equivalent to around 6.5% of the total GDP of the overseas departments, which is proportional to the overall additional costs borne by beneficiaries in these regions on the basis of comparable information for the Spanish and Portuguese outermost regions. The Commission has also concluded that there are few overlaps between costs, and where there are potential overlaps, the cumulation rules also apply.

Table 3: Aid schemes to compensate for additional costs in the French overseas departments

<table>
<thead>
<tr>
<th>Aid No</th>
<th>Measure</th>
<th>Budget EUR million per year</th>
<th>Additional costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>N 522/06</td>
<td>Loi de programme – aide fiscale</td>
<td>360.00 (*)</td>
<td>Loan scarcity, cost of capital for investments</td>
</tr>
<tr>
<td>N 524/06</td>
<td>TVA non perçue récupérable</td>
<td>200.00</td>
<td>Transport and import storage</td>
</tr>
<tr>
<td>N 559/06</td>
<td>Abattement taxe sur bénéfices (non cumulation with N 522/06)</td>
<td>75.00</td>
<td>Production cycle and long term return on investment</td>
</tr>
<tr>
<td>N 529/06</td>
<td>Octroi de mer</td>
<td>165.00</td>
<td>Reduced level of physical capital per worker</td>
</tr>
<tr>
<td>N 542/06</td>
<td>Exonération charges patronales (non-cumulable avec d’autres régimes sociales sauf 667/06)</td>
<td>850.00 (**)</td>
<td>Reduced productivity levels per worker</td>
</tr>
<tr>
<td>N 540/06</td>
<td>Contrat accès à l’emploi (non-cumulable avec 542/06 ou 667/06)</td>
<td>32.00</td>
<td>Additional costs of recruitment resulting from long term unemployment</td>
</tr>
<tr>
<td>N 667/06</td>
<td>Soutien emploi jeunes diplômés</td>
<td>0.960</td>
<td>Additional costs of recruitment of young managers</td>
</tr>
<tr>
<td>N 668/06</td>
<td>Prime à l’emploi</td>
<td>0.867</td>
<td>Travelling expenses of business people to the continent</td>
</tr>
<tr>
<td>N 560/06</td>
<td>Taxe réduit sur les salaires</td>
<td>105.00</td>
<td>Additional wage benefits to attract qualified people from metropolitan France in particular for certain services</td>
</tr>
<tr>
<td>N 627/06</td>
<td>Fonds de garanties</td>
<td>8.10</td>
<td>Access to credit in particular for small enterprises</td>
</tr>
</tbody>
</table>

(*) The breakdown of this budget is as follows:
— EUR 151.5 million to support economic operators in the overseas departments via the retrocession mechanism
— EUR 208.5 million to reduce taxes for individual investors

(**) The EUR 850 million corresponds to the total envelope for exemptions from employers’ social contributions in the overseas departments. EUR 400 million corresponds to the additional aid agreed under the ‘Loi de Programme’ for the outermost regions in connection with the national system.

Source: European Commission

5. Conclusions

The rules on state aid for regional purposes have always been relatively favourable to the outermost regions of the EU. The new RAG 2007-2013 ensures continuity in the approach followed by the Commission to assess the compatibility of aid measures for the outermost regions with the common market. The underlying rationale is that the aid is a means to restore the competitive situation in the market should the permanent handicaps not have existed. By offsetting the additional costs faced, the aid allows companies in the outermost regions to compete on an equal footing with their continental European counterparts.
The aid intensities for initial investment in the outermost regions under the RAG 2007-2013 reflect the recent changes in the economic situation of the outermost regions and the changes in the EU economic landscape due to the recent enlargement.

The Member States have not made full use of the new instruments available under the RAG to simplify the treatment of state aid schemes. For example, in view of the relatively favourable aid intensities for the outermost regions, Member States could have used the BER RAG more extensively to implement transparent investment aid schemes. Aid schemes for initial investment have proven to be a useful instrument in promoting regional development in the outermost regions. Furthermore, Member States have not made significant use of the new ‘safe harbour’ provision in the RAG to award operating aid of up to 10% of the turnover of beneficiaries in the outermost regions without the need for justification.

To allow the Commission to assess the impact of operating aid measures on competition and trade, RAG 2007-2013 clarifies that it is the task of the Member States to identify and quantify the handicaps faced and to demonstrate that the proposed measures are proportionate to these handicaps. This is still an ongoing process, and the reporting obligation introduced in the RAG will enable both the Commission and the Member States to check that the operating aid remains proportionate and does not lead to overcompensation of beneficiaries and effectively contributes to regional development. This policy could be interpreted as a move towards greater public accountability. Under this approach, Member States are allowed to design measures to support outermost regions when they effectively contribute to regional development and do not lead to overcompensation of costs, resulting in a waste of taxpayers’ money.

The changes introduced by the Treaty of Lisbon in the wording of Article 87(3)(a) of the EC Treaty imply that the outermost regions, irrespective of the evolution of their relative wealth, will in future be guaranteed the same specific treatment as areas where the standard of living is abnormally low or where there is serious unemployment.