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**Subject: State aid N 359/2006 – Finland
Regional aid map 2007-2013**

Sir,

1. PROCEDURE

- (1) By letter dated 9 June 2006, registered at the Commission on the same day (A/34487) the Finnish authorities notified their regional aid map for the period 1.1.2007 – 31.12.2013.
- (2) By letters of 13 July 2006 (D/55869), 31 August 2006 (D/57475), 31 October 2006 (D/59291) and 21 November 2006 (D/59776) the Commission services asked for complementary information, which the Finnish authorities provided by letters of 6 September 2006, registered at the Commission on 7 September 2006 (A/37007), 10 November 2006, registered at the Commission on the same day (A/38998), 20 November 2006, registered at the Commission on the same day (A/39279), by letter of 27 November 2006, registered at the Commission on the same day (A/39610) and by letter of 1 December 2006, registered at the Commission on 4 December 2006 (A/39818).
- (3) On 21 December 2005, the Commission adopted the *Guidelines on national regional aid for 2007-2013*¹ (hereinafter “RAG”). In accordance with

¹ Guidelines on national regional aid for 2007-2013, OJ C 54, 4.3.2006, p. 13.

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paragraph 100 of the RAG each Member State should notify to the Commission following the procedure of Article 88(3) of the Treaty, a single regional aid map covering its entire national territory which will apply for the period 2007-2013. In accordance with paragraph 101, the approved regional aid map is to be published in the Official Journal of the European Union, and will be considered an integral part of the RAG.

2. DESCRIPTION

- (4) For the period between 1 January 2000 and 31 December 2006² Finland had regions covering 42.2% of its population eligible for national regional state aid: 13.7% under the derogation of Article 87(3)(a) of the EC Treaty and 28.5% under the derogation of Article 87(3)(c) of the EC Treaty. The Finnish authorities propose that for the period 2007-2013 regions covering 33% of their population³ should be eligible to receive regional investment aid under the derogation of Article 87(3)(c) of the EC Treaty at an aid ceiling of 10% GGE⁴ or 15% GGE.
- (5) The proposed aid ceilings are those for investments by large enterprises. For medium-sized enterprises⁵ these aid ceilings can be increased⁶ by 10 percentage points and for small enterprises⁷ by 20 percentage points.
- (6) The Finnish authorities propose a series of regions for eligibility for regional investment aid under Article 87(3)(c) of the EC Treaty on the basis that they meet the conditions of at least one of the sub-paragraphs of paragraph 30 (a, b, c, f, g and h) or paragraph 31 of the RAG.

2.1. Article 87(3)(c) EC regions

2.1.1. *Economic development regions proposed for the whole period 2007-2013 for eligibility under Article 87(3)(c) of the EC Treaty*

- (7) The following NUTS-II region, with the indicated population coverage and aid ceiling, is proposed as an economic development region for eligibility under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 in application of **paragraph 30(a)** of the RAG:

NUTS Code	Name	Population	Aid ceiling (% GGE) 1.1.2007-31.12.2013
FI13	Itä-Suomi (Eastern Finland)	664,196	15

² Commission decision of 13 December 1999 concerning State aid N 238/1999 – Finland – Regional aid map 2000-2006 (SG(99) D/10189).

³ All population figures used in this decision refer to 31.12.2005.

⁴ GGE: Gross Grant Equivalent

⁵ As defined in the Annex of Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) 70/2001, OJ L 63, 28.2.2004, p. 22, or any successor regulation.

⁶ Except for aid awarded in the transport sector and aid for large investment projects.

⁷ See footnote 5.

2.1.2. *Low population density regions proposed for the whole period 2007-2013 for eligibility under Article 87(3)(c) of the EC Treaty*

- (8) The following NUTS-II region, with the indicated population density, population coverage and aid ceiling, is proposed in its entirety as a low population density region for eligibility under the derogation of Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 in application of **paragraph 30(b)** of the RAG:

NUTS Code	Name	Population density km ²	Population	Aid ceiling (% GGE) 1.1.2007-31.12.2013
FI1A	Pohjois-Suomi (Northern Finland)	4.5	631,853	15

2.1.3. *Other Article 87(3)(c) regions designated at another level than NUTS-III*

- (9) Parts of the following NUTS-III regions are proposed for coverage in the regional aid map pursuant to the derogation under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 in application of **paragraph 30(c)** of the RAG. The table below provides the zone code and name, the NUTS-III regions, to which they belong, the GDP and the unemployment figures at the level of the NUTS-III, the population coverage and the aid intensities.

Zone code and name	NUTS-III region	GDP (PPS/HAB) AVG. 00-02 EU25=100	UNEMPLOYMENT AVG. 01-03		Population	Aid ceiling (% GGE) 1.1.2007-31.12.2013
			EU25=100	MS=100		
<u>FiSaa3</u> State aid area of Keski-Suomi (Central Finland) and Etelä-Pohjanmaa (South Ostrobothnia)					152,897	
FiSaa3.138 Saarijärvi-Viitasaari	FI193 Keski-Suomi	96.5	128.1	125.7	34,854	15
FiSaa3.133 Keuruu	FI193 Keski-Suomi	96.5	128.1	125.7	13,200	15
FiSaa3.135 Äänekoski	FI193 Keski-Suomi	96.5	128.1	125.7	23,444	15
FiSaa3.134 Jämsä	FI193 Keski-Suomi	96.5	128.1	125.7	25,459	15
FiSaa3.132 Joutsa	FI193 Keski-Suomi	96.5	128.1	125.7	6,094	15
FiSaa3.146 Järviseuu	FI194 Etelä-Pohjanmaa	81.7	91.1	89.3	21,364	15

FiSaa3.144 Kuusiokunnat	FI194 Etelä- Pohjanmaa	81.7	91.1	89.3	28,482	15
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(10) Parts of the following NUTS-III regions are proposed for coverage in the regional aid map pursuant to the derogation under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 in application of **paragraph 30(f)** of the RAG: islands and other communities, categorised by similar geographical isolation, with fewer than 5,000 inhabitants. The total population concerned is 38,658 and the tables below provide the NUTS-III to which they belong, the names and the aid intensities.

- The actual island municipalities outside Eastern and Northern Finland are listed in the Government Decree 1212/2003⁸ and include: Dragsfjärd, Nauvo, Korppoo, Houtskari, Iniö, Rymättylä, Velkua, Kustavi and Maalahti.

FI183 Varsinais-Suomi	10%
Dragsfjärd, Nauvo, Korppoo, Houtskari, Iniö, Rymättylä, Velkua and Kustavi.	
FI195 Pohjanmaa	10%
Maalahti	

- The island parts of the following NUTS-III outside Eastern and Northern Finland referred to in the Government Decree 1211/2004⁹: Uusimaa, Itä-Uusimaa (East Uusimaa), Varsinais-Suomi, Päijät-Häme, Kymenlaakso, Etelä-Karjala (South Karelia) and Pohjanmaa (Ostrobothnia).

FI181 Uusimaa	10%
Helsinki, Inkoo (including Storramsjö-Hirdal, Barö, Räfsö, Degerö and Stävö) and Tammisaari (including Bromarv, Trollshovda, Lindö, Svedja-Öby and Odensö-Norrby-Bäsa).	
FI182 Itä-Uusimaa (East Uusimaa)	15%
Pernaja (including Sarvsalö, Kabböle-Isnäs, Tjuvö and Strömsland), Porvoo (including Emäsalo, Vässölandet and Tirmo-Fagersta), Ruotsinpyhtää (including Vahterpää, Gäddbergsö) and Sipoo (including Kitö and Löparö).	
FI183 Varsinais-Suomi	10%
Askainen (including Lempisaari and Livonsaari), Halikko (including Angelniemi and Angelansaari), Kemiö (including the island of Kemiö), Merimasku (including the island of Otava), Parainen (including Stormälö, Lillmälö-Lenholm, Stortervolandet, Lilltervo and Lemlax), Piikkiö (including Harvaluoto), Särkisalo (including Isoluoto and Kaukassalo), Taivassalo (including Leikluoto, Kuuste, Mussalo-Lehtinen, Kaitainen and Naurisluoto-Kuusisto), Västanfjärd (including the island of Kemiö) and Uusikaupunki (including Pyhämaa-Lepäinen and Kittamaa).	
FI185 Päijät-Häme	15%
Asikkala (including Vedentausta, Salonsaari, Rutalahti and Vähä-Pulkkila).	

⁸ Government Decree (1212/2003) on Island Municipalities and Other Island Parts of Municipalities that are Subject to Provisions on Island Municipalities (issued in Helsinki on 18 December 2003).

⁹ Government Decree (1211/2004) amending section 2 of the Government Decree on Island Municipalities and Other Island Parts of Municipalities that are Subject to Provisions on Island Municipalities (issued in Helsinki on 21 December 2004).

FI186 Kymenlaakso	15%
Kotka (including Tiutinen) and Pyhtää (including the island of Munapirtti).	
FI187 Etelä-Karjala (South Karelia)	15%
Parikkala (including Korpijärvi-Värtsi, Sarvisalo, Koukkuniemi, Loikansaari, Tarvassaari, Lahdenkylä and Harmaitsaari), Ruokolahti (including Äitsaari, Härskiänsaari, Utula-Kietävälä and Kekäleenniemi) and Taipalsaari (including Kirkkosaari, Rehula-Vehkataipale-Kattelussaari-Nieminen and Merenlahti).	
FI195 Pohjanmaa (Ostrobothnia)	10%
Luoto (including Eugmo), Maksamaa (including Österö-Kvimo), Mustasaari (including Köklot, Raippaluoto and Värilax), Närpiö (including Storön) and Oravainen (including Oxxangar).	

- The Finnish authorities propose also the archipelago of Ålands Islands – Ålands Skärgård – with a population of 3,157 at an aid intensity of 10% GGE.

(11) Parts of the following NUTS-III region are proposed for coverage in the regional aid map pursuant to the derogation under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 on the basis that they are adjacent to a country, which is not a Member State of the European Economic Area or EFTA, in application of **paragraph 30(g)** of the RAG. The table below provides the zone code and name, the NUTS-III regions, to which they belong, the GDP and the unemployment figures at the level of the NUTS-III, the population coverage and the aid intensities.

Zone code and name	NUTS-III region	GDP (PPS/HAB) AVG. 00-02 EU25=100	UNEMPLOYMENT AVG. 01-03		Population	Aid ceiling (% GGE) 1.1.2007-31.12.2013
			EU25=100	MS=100		
FiSaa4 State aid area of Etelä-Karjala (South Karelia)					115,848	
FiSaa4.93 Imatra	FI187 Etelä-Karjala	112.8	120.8	118.3	45,926	15
FiSaa4.91 Lappeenranta	FI187 Etelä-Karjala	112.8	120.8	118.3	69,922	15

(12) Parts of the following NUTS-III regions are proposed for coverage in the regional aid map pursuant to the derogation under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 in application of **paragraph 30(h)** of the RAG. The table below provides the zone code and name, the NUTS-III regions, to which they belong, the GDP and the unemployment figures at the level of the NUTS-III, the population coverage and the aid intensities.

Zone code and name	NUTS-III region	GDP (PPS/HAB) AVG. 00-02 EU25=100	UNEMPLOYMENT AVG. 01-03		Population	Aid ceiling (% GGE) 1.1.2007-31.12.2013
			EU25=100	MS=100		

FiSaa5					54,319	
State aid area of Pohjois-Satakunta (North Satakunta) and Suupohja						
FiSaa5.44 Pohjois-Satakunta (North Satakunta)	FI191 Satakunta	100.2	117.8	115.4	24,923	15
FiSaa5.141 Suupohja	FI194 Etelä-Pohjanmaa	81.7	91.1	89.3	29,396	15

2.1.4. Article 87(3)(c) regions, which are only eligible for increased SME aid

(13) In order to allow Member States the flexibility to target very localised regional disparities, below the NUTS-III level, **paragraph 31** of the RAG allows for the designation of other smaller areas which do not meet the conditions set out in paragraph 30 of the RAG. The Finnish authorities propose to designate the following areas:

- part of the NUTS-III region FI192 Pirkanmaa – Ylä-Pirkanmaan (Upper Pirkanmaa) – that has a population of 40,818, to be eligible for an aid intensity of 25% GGE for medium-sized enterprises and 35% GGE for small enterprises;
- parts of the NUTS-III region FI186 Kymenlaakso – city of Kuusankoski – that has a population of 20,247 to be eligible for an aid intensity of 25% GGE for medium-sized enterprises and 35% GGE for small enterprises;
- parts of the NUTS-III region FI200 Åland Islands – Ålands Landsbygd – that has a population of 12,829 to be eligible for an aid intensity of 20% GGE for medium-sized enterprises and 30% GGE for small enterprises.

3. ASSESSMENT

(14) Annex V of the RAG allocated Finland a total population coverage of 33% eligible for national regional state aid for the period 2007-2013 under the derogation of Article 87(3)(c) of the EC Treaty. The total population of Finland on 31.12.2005 amounts to 5,255,580. The maximum population eligible for coverage for 2007-2013 is therefore 1,734,341.

3.1. Article 87(3)(c) EC regions

3.1.1. Economic development regions

(15) The economic development regions are defined in paragraph 25 of the RAG as those NUTS-II regions which had a GDP per capita of less than 75% on an EU-15 basis when the 1998 regional aid guidelines were adopted, but which as a result of their economic development no longer meet that condition on an EU-15 basis.

(16) The Finnish authorities notified under paragraph 30(a) of the RAG a NUTS-II economic development region FI13 Itä-Suomi (Eastern Finland) for the whole

period 2007-2013. The proposed NUTS-II region complies with the conditions defined in paragraph 25 of the RAG.

- (17) In accordance with paragraph 47 of the RAG the aid ceiling for Article 87(3)(c) regions must not normally exceed 15% GGE. Paragraph 47 of the RAG also foresees that the regional aid ceiling is reduced to 10% GGE in the case of regions with both more than 100% of the average EU-25 GDP per capita and a lower unemployment rate than the EU-25 average, measured at NUTS-III level (based on averages for the last three years, using Eurostat data).
- (18) The NUTS-II region of FI13 Itä-Suomi is an economic development region with a GDP per capita of 82,7% of the EU-25 average. The proposed aid ceiling of 15% GGE for the period 2007-2013 is thus in line with paragraph 47 of the RAG.
- (19) The total population of the proposed region amounts to 664,196, which represents 12.6% of the Finnish population.

3.1.2. Low population density regions

- (20) The low population density regions are defined in paragraph 30(b) of the RAG as areas made up of NUTS-II geographic regions with a population density of less than 8 inhabitants per km².
- (21) The proposed NUTS-II region has a population density of less than 8 inhabitants per km² :

	Inhab/km ²	proposed population
FI1A Pohjois-Suomi (Northern Finland)	4.5	631,853

- (22) The total population of the proposed low population density region amounts to 631,853, which represents 12% of the Finnish population.
- (23) The proposed NUTS-II region has a population density of less than 8 inhabitants per km². The criteria of paragraph 30(b) of the RAG are thus met.
- (24) In accordance with paragraph 48 of the RAG, the low population density regions are always eligible for an aid intensity of 15% GGE. The proposed aid ceiling of 15% GGE for the period 2007-2013 is thus in line with paragraph 48 of the RAG.

3.1.3. Other Article 87(3)(c) regions designated at another level than NUTS-III

3.1.3.1. Regions designated under paragraph 30(c) of the RAG

- (25) In accordance with paragraph 30(c) of the RAG, Member States may select regions which form contiguous zones with a minimum population of at least 100,000 and which are located within either NUTS-II or NUTS-III regions which have either a GDP per capita of less than the EU-25 average, or which have an unemployment rate which is higher than 115% of the national average (both calculated on the average of the most recent 3 years of Eurostat data).

(26) The Finnish authorities propose under paragraph 30(c) a contiguous area that spreads over two NUTS-III regions and consists of the following sub-regions: in FI193 Keski-Suomi: Saarijärvi-Viitasaari, Keuruu, Äänekoski, Jämsä, Joutsa; in FI194 Etelä-Pohjanmaa: Järviseuutu and Kuusiokunnat.

(27) Both NUTS-III regions have a GDP per capita of less than the EU-25 average. FI193 Keski-Suomi has also an unemployment rate above 115% of the national average:

	GDP ¹⁰	Unemployment ¹¹
– FI193 Keski-Suomi	96.5%	125.7%
– FI194 Etelä-Pohjanmaa	81.7%	

(28) Therefore the designation of the State aid area FiSaa3 of Keski-Suomi and Etelä-Pohjanmaa is in line with paragraph 30(c) of the RAG.

(29) In accordance with paragraph 47 of the RAG, the ceiling on regional aid in Article 87(3)(c) regions must not exceed 15% GGE. This is reduced to 10% GGE in the case of regions with both more than 100% of average EU-25 GDP per capita and a lower unemployment rate than the EU-25 average, measured at NUTS-III level (based on averages for the last three years, using Eurostat data).

(30) The proposed aid ceiling of 15% GGE for the period 2007-2013 is thus in line with paragraph 47 of the RAG.

(31) The total population of the proposed area is 152,897, which represents 2.9% of the Finnish population.

3.1.3.2. Regions designated under paragraph 30(f) of the RAG

(32) According to paragraph 30(f) of the RAG, islands with fewer than 5,000 inhabitants and other communities with fewer than 5,000 inhabitants categorised by similar geographical isolation can be designated.

(33) The Finnish authorities have notified the following island areas of Manner-Suomen (Mainland Finland), which have a total population of 35,501, with an aid intensity of 10% GGE:

- actual island municipalities outside Eastern and Northern Finland referred to in the Government Decree 1212/2003: the municipalities of Dragsfjärd, Nauvo, Korppoo, Houtskari, Iniö, Rymättylä, Velkua, Kustavi and Maalahti;
- island parts of the following NUTS-III outside Eastern and Northern Finland referred to in the Government Decree 1211/2004: Uusimaa, Itä-Uusimaa (East Uusimaa), Varsinais-Suomi, Päijät-Häme, Kymenlaakso, Etelä-Karjala (South Karelia) and Pohjanmaa (Ostrobothnia).

¹⁰ Most recent three years of Eurostat data covering the years 2000-2002.

¹¹ Most recent three years of Eurostat data covering the years 2001-2003.

- (34) The decision on Finnish island areas (Government Decree 1211/2004) also mentions islands and other areas which have a fixed road connection but despite this they are covered by the provisions on island municipalities. Similar to proper islands, these areas are categorised by similar geographical isolation.
- (35) The Finnish authorities have also notified the archipelago of Ålands Islands – Ålands Skärgård – that has a population of 3,157 under paragraph 30(f) of the RAG. Ålands Skärgård consists of six municipalities located on different islands without road connection between each other or to the main island.
- (36) The population of each island within all the proposed island areas is under 5,000. Thus the criteria in paragraph 30(f) of the RAG are fulfilled.
- (37) In accordance with paragraph 47 of the RAG, the ceiling on regional aid in Article 87(3)(c) regions must not exceed 15% GGE. This is reduced to 10% GGE in the case of regions with both more than 100% of average EU-25 GDP per capita and a lower unemployment rate than the EU-25 average, measured at NUTS-III level (based on averages for the last three years, using Eurostat data).
- (38) NUTS-III regions, to which the above-mentioned island areas belong, have the following GDP per capita and unemployment rate (EU-25 average):

	GDP	Unemployment
– FI181 Uusimaa	157.4%	65.5%
– FI182 Itä-Uusimaa	98.2%	65.2%
– FI183 Varsinais-Suomi	119.0%	88.7%
– FI185 Päijät-Häme	91.2%	113.6%
– FI186 Kymenlaakso	113.2%	117.7%
– FI187 Etelä-Karjala	112.8%	120.8%
– FI195 Pohjanmaa	106.4%	73.1%
– FI200 Åland Islands	156.0%	26.5%

- (39) The proposed aid intensity of 10% GGE is thus in line with paragraph 47 of the RAG for island areas which belong NUTS-III regions with both more than 100% of average EU-25 GDP per capita and a lower unemployment rate than the EU-25 average.
- (40) In case island areas belong to NUTS-III, which have either less than 100% of average EU-25 GDP per capita or a higher unemployment rate than the EU-25 average, the aid ceiling is 15% GGE, as defined in paragraph 47 of the RAG.
- (41) The total population of the proposed island areas amounts to 38,658, which represents 0.7% of the Finnish population.

3.1.3.3. Regions designated under paragraph 30(g) of the RAG

- (42) According to paragraph 30(g) of the RAG, NUTS-III regions or parts thereof which share a land border, or a sea border of less than 30 kilometres with a country which is not a Member State of the European Economic Area or EFTA can be designated for support under Article 87(3)(c) of the EC Treaty.
- (43) On this basis the Finnish authorities notified with an aid ceiling of 15% GGE two sub-regions of the NUTS-III region FI187 Etelä-Karjala (South Karelia):

Imatra and Lappeenranta, which share a land border with the Russian Federation, a country which is not a Member State of the European Economic Area or EFTA. These sub-regions have a total population of 115,848, which represents 2.2% of the Finnish population.

- (44) In accordance with paragraph 48 of the RAG, NUTS-III regions or parts thereof which share a land border with a country which is not a Member State of the European Economic Area or EFTA, are always eligible for an aid intensity of 15% GGE. Thus the proposed aid intensity of 15% GGE is in line with the RAG.

3.1.3.4. Regions designated under paragraph 30(h) of the RAG

- (45) According to paragraph 30(h) of the RAG, in duly justified cases, Member States may also designate other regions which form contiguous zones with a minimum population of at least 50,000 which are undergoing major structural change, or are in serious relative decline, when compared with other comparable regions. It will be the task of the Member States which wish to use this possibility to demonstrate that the award of regional investment aid in the region concerned is justified, using recognised economic indicators and comparisons with the situation at Community level.
- (46) The Finnish authorities have notified a State aid area FiSaa5 consisting of two sub-regions Pohjois-Satakunta (North Satakunta) and Suupohja with an aid intensity of 15% GGE, which form a contiguous zone with a population of 54,319 (representing 1.03% of the Finnish population). At the same time, the Finnish authorities provided explanations for the designation of this zone based on recognised economic indicators and comparisons with the situation at Community level, which are briefly summarised below.
- (47) The notified sub-regions of Pohjois-Satakunta and Suupohja are neighbouring areas. They form a uniform area within the two NUTS-III regions of FI191 Satakunta and FI194 Etelä-Pohjanmaa.
- (48) The NUTS-III region of FI191 Satakunta had during the period 2001-2003 an unemployment rate which is higher than 115% of the national average: 115.4%. The NUTS-III region FI194 Etelä-Pohjanmaa had during the period 2001-2003 an average GDP per capita of 81.7% of the EU-25 average. The Finnish authorities explain that problems of development and the need for structural development in these Southern and Western Finland's sub-regions were compared by using certain indicators, such as: GDP per capita in the sub-region as the value for the entire country, unemployment, net migration in proportion to average population and the population and education structure index. According to the Finnish authorities, the analysis shows that Pohjois-Satakunta (according to all four indicators) and Suupohja (according to three indicators) qualify as disadvantaged regions. In Pohjois-Satakunta the decline in population because of migration is among the highest in Southern and Western Finland's sub-regions: in 2002-2004, the population decreased by 537 corresponding to 7% of the average population. As regards Suupohja, the population's employment and educational structures are exceptionally problematic: the proportion of passive population is high and that of high-skilled population low.

- (49) The Commission considers the Finnish authorities duly demonstrated that the contiguous zone proposed of Pohjois-Satakunta and Suupohja is indeed fulfilling the criteria of paragraph 30(h) of the RAG.
- (50) Furthermore, the Finnish authorities correctly apply the aid intensity of 15% GGE foreseen in paragraph 47 of the RAG as these NUTS-III regions in question have either a GDP below EU-25 average or an unemployment figure above the EU average.

3.1.3.5. Regions designated under paragraph 31 of the RAG for higher rates of aid for SMEs only

- (51) According to paragraph 31 of the RAG, and in order to allow Member States greater flexibility to target very localised regional disparities, below the NUTS-III level, Member States may also designate other smaller areas which do not meet the conditions described in paragraph 30 of the RAG provided they have a minimum population of 20,000. Footnote 35 of the RAG says that this minimum limit may be reduced in the case of islands and other areas categorised by similar geographical isolation. Regional aid will be approved by the Commission in these areas only for SMEs and the relevant SME bonuses apply. Aid for investments by large companies in these areas, or aids for investments with eligible expenditure exceeding EUR 25 million will not be approved. It is the task of the Member States to demonstrate that the areas proposed are relatively more in need of economic development than other areas in that region, using economic indicators such as GDP per capita, employment or unemployment levels, local productivity or skill indicators.
- (52) On this basis the Finnish authorities notified three areas and provided detailed explanations to show that these areas meet the requirements of paragraph 31 of the RAG, which are summarised below:

Ylä-Pirkanmaa (Upper Pirkanmaa)

- (53) The Finnish authorities have notified part of the NUTS-III region FI192 Pirkanmaa – the sub-region Ylä-Pirkanmaa (Upper Pirkanmaa) – having a population of 40,818, to be eligible for SME aid only at an aid intensity of 25% GGE for medium-sized enterprises and 35% GGE for small enterprises.
- (54) The Finnish authorities have used an indicator analysis at sub-regional level, which shows that Ylä-Pirkanmaa is ranked as the 8th worst off of the 48 sub-regions outside Eastern and Northern Finland. Ylä-Pirkanmaa has got 3, out of maximum 4, problematic indicators such as unemployment indicator consisting of the unemployment rate and the share of youth and long-term unemployed, net migration in proportion to average population and population income and education structure index.
- (55) Since the NUTS-III region of FI192 Pirkanmaa has an unemployment rate which is higher than the EU-25 average (108.2%) this area is eligible for a basic aid intensity of 15% GGE, so that the applicable aid intensities will be 25% GGE for medium-sized enterprises and 35% GGE for small enterprises (which is in accordance with paragraphs 47 and 49 of the RAG).

City of Kuusankoski

- (56) The Finnish authorities have notified parts of the NUTS-III region FI186 Kymenlaakso – city of Kuusankoski – that has a population of 20,247 to be eligible for SME aid only at an aid intensity of 25% GGE for medium-sized enterprises and 35% GGE for small enterprises.
- (57) The Finnish authorities explain that the enterprise UPM-Kymmene will close the entire Voikkaa paper mill in Kuusankoski during the 3rd quarter of 2006 (670 lost jobs) and one paper machine in the Kymi mill in Kuusankoski (120 lost jobs). Thus the total number of lost jobs will be 790. Taking into account the pension scheme, the notional job loss in Kuusankoski, which is part of the Kouvola sub-region, amounts to 590. The number of employed people is estimated to fall by only half the number of lost jobs, i.e. by approximately 385. Based on these assumptions, the unemployment rate in the city of Kuusankoski will rise to approximately 18% and the share of young and long-term unemployed of all unemployed will rise to 39%.
- (58) Since the NUTS-III region of FI186 Kymenlaakso has an unemployment rate which is higher than the EU-25 average (117.7%) this area is eligible for a basic aid intensity of 15% GGE, so that the applicable aid intensities will be 25% GGE for medium-sized enterprises and 35% GGE for small enterprises (which is in accordance with paragraphs 47 and 49 of the RAG).

Åland Islands: Ålands Landsbygd

- (59) The Finnish authorities propose to include the sub-region of FI200 Åland Islands – Ålands Landsbygd – having a population of 12,829 to be eligible for SME aid only at an aid intensity of 20% GGE for medium-sized enterprises and 30% GGE for small enterprises.
- (60) For the period 2000-2006, the sub-region of Ålands Landsbygd was eligible for national regional aid for large enterprises at an aid intensity of 10% NGE.
- (61) The Finnish authorities explain that the conditions in Ålands Landsbygd differ largely from the ones in the capital town Mariehamn, which is not proposed for regional aid. In the rural area of Landsbygd it is small industry, the sectors of agriculture and tourism, as well as the public sector which employ inhabitants. This difference in economic situation is reflected in the figures the Finnish authorities provided on the distribution of the value added per capita within the Åland Islands.

Åland Islands	100%
Mariehamn	168.9%
Landsbygd	52.7%
Skärgård	58.1%

- (62) The Åland's economy is heavily dependent on the shipping industry that accounts for 40% of the GDP, and which is concentrated in Mariehamn. As a result, Mariehamn has an economic activity which is more than three times the one of Landsbygd. Ålands Landsbygd encounters also the following problems: sparse population, less skilled population, double insularity (accessibility

problems within the island and outside the island), which in turn increases the costs to maintain services, small economies dependent on one or few sectors which makes them all the more vulnerable to external shocks. The Finnish authorities thus clearly demonstrate that Landsbygd is relatively more in need of economic development than Mariehamn, which is not proposed for regional aid.

- (63) Since the NUTS-III region of FI200 Åland Islands has both more than 100% of average EU-25 GDP per capita (156.0%) and a lower unemployment than the EU-25 average (26.5%) Ålands Landsbygd is eligible for a basic aid intensity of 10% GGE, so that the applicable aid intensities will be 20% GGE for medium-sized enterprises and 30% GGE for small enterprises (which is in accordance with paragraphs 47 and 49 of the RAG).
- (64) The three proposed areas have a total population of 73,894, which represents 1.4% of the Finnish population.
- (65) The Commission considers that the arguments provided by the Finnish authorities, and summarised above make it possible to consider that the proposed areas fulfil the required conditions of paragraph 31 of the RAG.

3.2. General provisions of the map

- (66) The overall population proposed for the entire map for eligibility for the period 2007-2013 amounts to 1,731,665, which represents 32.9% of the Finnish population and respects thus the population ceiling of 33% attributed to Finland in Annex V of the RAG.
- (67) In accordance with paragraph 49 of the RAG, except for aid awarded in the transport sector, the preceding aid ceilings can be increased by 10% GGE for medium-sized enterprises and 20% GGE for small enterprises. However, in accordance with paragraph 67 of the RAG no SME bonuses are allowed for investment projects with eligible expenditure exceeding EUR 50 million.
- (68) Following the assessment above, the aid ceilings for regional investment aid notified by Finland for the period 2007-2013 are in line with the aid ceilings allowed for under the RAG.
- (69) The Commission recalls that in accordance with paragraph 8 of the RAG, these aid ceilings apply to the processing and marketing of agricultural products only to the extent laid down in the Community guidelines for State aid in the agriculture sector¹², or any replacement guidelines.
- (70) The Commission takes note of the following commitments given by the Finnish authorities in the notification:
 - (a) The Finnish authorities confirmed that only the regions defined in the regional aid map published by the Commission pursuant to this notification will be eligible for regional investment aid in accordance with

¹² OJ C 28 of 1.2.2000, p.2. Corrigendum OJ C 232, 12.8.2000 p. 17.

the RAG, or any state aid block exemption regulation relevant for regional aid.

- (b) The Finnish authorities confirmed that only small enterprises with their economic activity in the regions identified in the regional aid map published by the Commission pursuant to this notification will be eligible for aid for newly created small enterprises as provided for in section 6 (paragraphs 84-91) of the RAG.
- (c) The Finnish authorities confirmed that all plans to grant regional aid will be notified to the Commission in accordance with Article 88(3) of the EC Treaty, either as an aid scheme, or as an individual notification unless a State aid exemption regulation applies.
- (d) The Finnish authorities confirmed that all regional investment aid will respect the ceilings defined in the region concerned in the regional aid map published by the Commission pursuant to this notification.
- (e) The Finnish authorities confirmed that for large investment projects the upper ceilings defined in respect of the region concerned in the regional aid map published by the Commission pursuant to this notification will be adjusted according to the formula in paragraph 67 of the RAG.
- (f) The Finnish authorities confirmed that all large investment projects for which the amount of aid proposed is more than the maximum allowable amount of aid an investment with eligible expenditure of EUR 100 million can receive under the scale laid down in paragraph 67 of the RAG, will be notified individually to the Commission.

3.3. Appropriate measures

- (71) By letter of 6 March 2006, reference D/(06)234, the Commission proposed appropriate measures to the Finnish authorities by which, *inter alia*, the application of their existing regional aid schemes is limited until 31 December 2006. The Finnish authorities accepted these appropriate measures unconditionally by letter of 3 May 2006, registered at the Commission on 4 May 2006 (A/33429).

4. DECISION

- (72) The Commission has accordingly decided:

- to consider the Finnish regional aid map for 2007-2013 as set out in the Annex to be compatible with the EC Treaty as it fulfils the conditions as stipulated in the Guidelines on national regional aid for 2007-2013. This map is valid from 1 January 2007 until 31 December 2013.
- to publish the map as presented in the Annex to this decision in the Official Journal of the European Union. The full text of this letter in the authentic language will be published on the Internet site:
http://ec.europa.eu/community_law/state_aids/index.htm

Any request concerning this letter should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
Directorate for State Aid I
State Aid Greffe
B – 1049 Brussels
Fax No: 0032.2.296 12 42

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission

Annex to the decision on case N 359/2006
Guidelines on National Regional aid for 2007-2013

(OJ C 54, 4.3.2006, p. 13)

N 359/2006 - FINLAND - National regional state aid map 1.1.2007-31.12.2013

(Approved by the Commission on ...)

NUTSII - III	Name	Ceiling for regional investment aid ¹ (applicable to large enterprises)
		1.1.2007-31.12.2013
1. Regions eligible for aid as regions of economic development under Article 87(3)(c) of the EC Treaty		
FI13	Itä-Suomi	15
2. Regions eligible for aid as low population density regions under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013		
FI1A	Pohjois-Suomi	15
3. Regions eligible for aid under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013		
FI193	Keski-Suomi (partly, only the following areas)	15
Saarijärvi-Viitasaari, Keuruu, Äänekoski, Jämsä, Joutsa.		
FI194	Etelä-Pohjanmaa (partly, only the following areas)	15
Järviseuutu, Kuusiokunnat, Suupohja.		
FI187	Etelä-Karjala (partly, only the following areas)	15
Imatra, Lappeenranta.		
FI191	Satakunta (partly, only the following areas)	15
Pohjois-Satakunta.		
The following islands or island parts of the following municipalities belonging to the following NUTS -III		
FI181	Uusimaa	10
Helsinki, Inkoo (including Storramsjö-Hirdal, Barö, Räfsö, Degerö and Stävö) and Tammisaari (including Bromarv, Trollshovda, Lindö, Svedja-Öby and Odensö-Norrby-Båsa).		
FI182	Itä-Uusimaa	15
Pernaja (including Sarvsalö, Kabböle-Isnäs, Tjuvö and Strömsland), Porvoo (including Emäsalo, Vässölandet and Tirmo-Fagersta), Ruotsinpyhtää (including Vahterpää, Gäddbergsö) and Sipoo (including Kitö and Löparö).		
FI183	Varsinais-Suomi	10
Dragsfjärd, Nauvo, Korppoo, Houtskari, Iniö, Rymättylä, Velkua and Kustavi.		

¹ For investment projects with eligible expenditure not exceeding EUR 50 million, this ceiling is increased by 10 percentage points for medium sized companies and 20 percentage points for small companies as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36). For large investment projects with eligible expenditure exceeding EUR 50 million, this ceiling is subject to adjustment in accordance with paragraph 67 of the Guidelines on national regional aid for 2007-2013.

Askainen (including Lempisaari and Livonsaari), Halikko (including Angelniemi and Angelansaari), Kemiö (including the island of Kemiö), Merimasku (including the island of Otava), Parainen (including Stormälö, Lillmälö-Lenholm, Stortervolandet, Lilltervo and Lemlax), Piikkiö (including Harvaluoto), Särkisalo (including Isoluoto and Kaukassalo), Taivassalo (including Leikluoto, Kuuste, Mussalo-Lehtinen, Kaitainen and Naurisluoto-Kuusisto), Västanfjärd (including the island of Kemiö) and Uusikaupunki (including Pyhämaa-Lepäinen and Kittamaa).		
FI185	Päijät-Häme	15
Asikkala (including Vedentausta, Salonsaari, Rutalahti and Vähä-Pulkkila).		
FI186	Kymenlaakso	15
Kotka (including Tiutinen) and Pyhtää (including the island of Munapirtti).		
FI187	Etelä-Karjala	15
Parikkala (including Korpijärvi-Värtsi, Sarvisalo, Koukkuniemi, Loikansaari, Tarvassaari, Lahdenkylä and Harmaitsaari), Ruokolahti (including Äitsaari, Härskiänsaari, Utula-Kietävälä and Kekäleenniemi) and Taipalsaari (including Kirkkosaari, Rehula-Vehkataipale-Kattelussaari-Nieminen and Merenlahti).		
FI195	Pohjanmaa	10
Maalahti. Luoto (including Eugmo), Maksamaa (including Österö-Kvimo), Mustasaari (including Köklot, Raippaluoto and Värlox), Närpiö (including Storön) and Oravainen (including Oxxangar).		
FI200	Åland Islands	10
Ålands Skärgård		
4. Regions eligible for aid under Article 87(3)(c) of the EC Treaty for the whole period 2007-2013 for higher rates of SME aid only		
		Basic aid intensity
FI192	Pirkanmaa (only Ylä-Pirkanmaa)	15
FI186	Kymenlaakso (only the city of Kuusankoski)	15
FI200	Åland Islands (only Ålands Landsbygd)	10