

Discussing regional aid in the offices of the Competition Directorate-General might seem a daunting task, rather like discussing the virtues of secularism with the General Synod. However, an interview with the official responsible for regional aid soon lays these fears to rest.

"It is true that in principle State aid is incompatible with the single market", says Ms Dormal-Marino, "but the Treaties allow for exceptions to the ban and the Member States may grant aid for regional purposes under certain conditions. There are, broadly speaking, two types of region, those with lagging development and those which have socio-economic problems.

"The Competition DG compiles regional aid maps showing 'eligible regions' in each of the Member States, decides on the intensity of the authorised aid and checks that the aid schemes are compatible with the principles of the single market. The fact that a region appears on the eligibility map does not, therefore, necessarily mean that public subsidies are authorised. The schemes must also comply with rules other than location and intensity, such as eligible expenditure, conditions governing the minimum participation of the beneficiary, certain rules specific to the 'sensitive' sectors, etc."

Ceilings

"The first rule for regional aid is very simple: total coverage must remain below a given percentage of the Union's total population, as fixed by the Commission; for the 2000-2006 scheme it is 42.7%. For regions of lagging development, eligibility is based on the region's per capita GDP, which must be less than 75% of the

Regional statistics serve a dual purpose within the European Communities. They are widely used for the implementation of structural aid programmes, and by the Competition Directorate-General to assess whether regional aid is compatible with Community rules on competition. Sigma's **FRANÇOIS VERMEULEN** spoke with **LORETTA DORMAL-MARINO**, Director for State aid in the Competition DG, who shed some light on this dual function.

STATISTICS WATCHING over STATE AID

Community average, at the NUTS 2 classification level. For the other regions, the basis is this overall ceiling, excluding regions of lagging development, and the national population coverage ceilings are then divided up among the Member States according to the regions' relative socio-economic situation, with a minimum threshold of 15% per country. This is the backdrop. It is then up to the Member States to present their proposals for regions within the given ceiling and to justify these proposals on the basis of a specific methodology. The regions are at the NUTS 3 level. Aid intensity is lower here than in the regions of lagging development."

Ms Dormal's Directorate has been a hive of activity recently, since as from the spring of 1999 each Member State has been submitting its proposals for aid maps for the period 2000-2006, which the Competition DG has then had to examine. The Commission has given the complete go-ahead to Denmark, Finland, Ireland and Greece, and a partial go-ahead to Portugal and Germany. The other Member states have all presented their maps to the

Commission, which still has to decide whether to accept or reject them.

Surely this means that you need a substantial volume of data?

"Precisely. We need an enormous volume at the NUTS 2 and 3 levels – statistics covering population, GDP and unemployment. These data will be used, more particularly, to fix a population ceiling within each Member State below which each country suggests areas, using its own statistics if it wishes. It is then up to us to check that the sources are reliable and that the series stands the test of time. We also use Eurostat's

New Cronos database. We especially need data for regions with socio-economic problems, since areas of lagging development are relatively straightforward."

'Lagging development', 'socio-economic changes' are terms we find scattered throughout the literature from the Regional Policy Directorate-General, which administers the structural funds. Why does the Competition Directorate-General compile maps which have already been prepared by colleagues from the Regional Policy DG? Surely this is duplication of effort?

Different but not separate

"These are two different exercises", Ms Dormal-Marino replies. "Our maps are used to define regions where investment may benefit from national aid or from co-financing via the structural funds. However, although we may be conducting a different exercise, we are not working totally in isolation. The structural funds and regional aid maps generally overlap, even though they are not a perfect match.

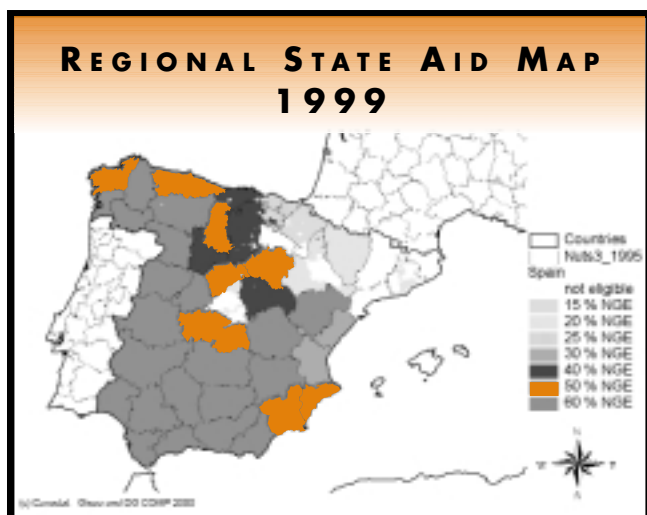
“Regional aid here means the transfer of public resources for initial investments, the creation of jobs linked to those investments or, in exceptional cases, the running of businesses based in a given region.”

The Commission wants as much similarity as possible, but it is also perfectly possible for an objective 2 region not to be included on our map and vice versa. Areas eligible for structural funds not shown on our grid cannot receive State aid directly from the Member State or under co-financing arrangements unless the investments are in infrastructure or come under horizontal schemes for SMEs, research and development, environmental protection or training, in particular.

"Currently, the structural funds maps are often larger than the regional aid maps, given that the Structural Funds coverage is wider than regional aid. The Commission is going to try in the future to reverse this relationship and, in the meantime, to achieve the highest possible coherence between the two.

This is why, in line with Agenda 2000 stated objective of ensuring a maximum EU population coverage rate of 40% by the structural funds, the Commission has defined a 42.7% ceiling for regional aid. We have already taken a further step in this direction by harmonising the period when the maps apply: the next two will be valid for the period from 2000 to 2006."

When it comes to granting aid to areas with socio-economic difficulties, the Member States have a certain amount of leeway. They may provide their own indicators but they have to argue the case for their own aid schemes. The Commission has powers of discretion to decide whether the planned aid can be granted an exemption. In this context, access to reliable and objective statistics is vital.



The map above shows Spanish regions entitled to receive state, national or Community, aid targeting their development by favouring investment, employment creation and improvement of infrastructure for 1999.

DG 'Competition' checks whether this aid meets the competition rules of the Commission. Basically, it concerns aid

directly targeted towards large businesses.

The coloured areas indicate the areas eligible for State aid as well as the maximum amount of acceptable aid, given the socio-economic situation of the region within the wider Community context. This amount is expressed in NGE (net grant equivalent), namely a percentage of the total admissible cost of the project.

Taking the economic view

How reliable, then, are the statistics which the Competition DG has available nowadays?

"We have no problem with relying on Eurostat data. With some Member States, there are gaps in GDP figures for the NUTS 3 regions, but that is not the major concern. The main problem is that the breakdown at the NUTS level is essentially an administrative one. For us, a breakdown with a greater economic bias would be more useful. We would need, for example, to define uniform areas such as 'travel-to-work areas', to provide a better picture of a given region. In some cases, cities throw up a high level of GDP but the real picture is much less rosy owing to the number of commuters in the regional economy. Another indicator would be, for example, travel-to-work areas or job offer areas, since it would seem that the unemployed tend to travel shorter distances than employees who are changing jobs in order to climb further up the ladder in their professions.

"We sometimes have to cope with the fact that the data are not appropriate for the present situation. Censuses are generally carried out every ten years. In addition, the NUTS 5 – municipal level – relates back to a 1991 breakdown, and there have since been mergers and other changes. When you realise that there are some 98,000 municipalities in the Union ... Member States have been known to criticise us for not having sufficiently recent data when they know that there will be problems in a given area because a large factory is about to close. We are, however, quite prepared to use national data and statistics where necessary if

The areas covered by regional aid

"... aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment..." (Article 87(3)(a) of the EC Treaty), which means regions which are extremely disadvantaged economically compared with the Community as a whole.

Criterion: per capita GDP, measured in terms of purchasing power standards, below 75% of the Community average, these two indicators being calculated on the basis of an average of the last three available years.

Regions in difficulty (at national level) (...) which are disadvantaged compared with the national average (cf. Article 87 (3)(c) of the EC Treaty). **Criterion:** five objective and relevant indicators illustrating the socio-economic disparities of the regions within a Member State.

they are more up to date than Eurostat's.

"In the future, we should also like to be able to use data from geographical information systems, such as are available under Gisco¹, to identify the borders of municipalities and travel-to-work areas and monitor changes over time. Some information already exists, but is not necessarily validated by the Member States. In some cases, boundaries overlap."

¹ GISCO: Geographical Information System for the Commission, promoted by Eurostat.