



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2013)

Opinion

Title **DG COMP - Guidelines on regional state aid for 2014-2020**
(revised version of 16 May 2013)*

(A) Context

The conditions under which Member States may grant regional investment aid without obtaining prior authorisation by the Commission are laid down in the General block exemption regulation (GBER). Regional State aid measures falling outside the scope of the GBER remain subject to the obligation of prior notification to the Commission that will assess the effects of regional aid measures on competition and trade on the basis of Regional Aid Guidelines (RAG). Aid can be granted to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment, including the outermost regions (indicated as 'a' areas in the text); and to facilitate the development of certain economic areas where such aid does not adversely affect trading conditions to an extent contrary to the common interest ('c' areas). The RAG are mainly based on formal requirements; in-depth analysis is conducted only for large investment projects. GBER and RAG both expire at the end of 2013. This initiative proposes to revise the RAG to establish an improved framework for State aid control for the next programming period, while ensuring consistency with other EU policies. The objective is to ensure that regional state aid granted in assisted areas contributes to their economic development and make sure that any negative effects of distortions of trade and competition do not exceed the likely benefits.

(B) Overall assessment: POSITIVE

While the report has been improved along the lines of the Board's first opinion, it should be further strengthened in a number of respects. First, the problem section should more clearly link the evidence presented to the different aspects of the problem and the related formulation of objectives and policy options. Second, the report should better present the objectives and the content of the different options. Third, it should improve the assessment of impacts, especially as regards SMEs, employment and sectoral competitiveness. Any significant new administrative burden should be quantified. Finally, the report should set out monitoring indicators to gauge progress in the achievement of the general objectives.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

(C) Main recommendations for improvements

(1) Further strengthen the problem definition. Although the report presents more concrete evidence on the functioning of the current Guidelines, it still largely bases its problem analysis on theoretical considerations. It should more clearly link the newly added quantitative evidence to the relevant issues (e.g. section "differentiation of aid intensities between categories of assisted areas") and present the data on disparities between poorer and wealthier regions more clearly, including unemployment and income indicators. It should further explain if and how the issue of increasing unemployment disparities will be addressed. The discussion of problems related to aid to large enterprises in 'c' areas should be further improved.

(2) Formulate the objectives and the content of the policy options more clearly. While the problem definition section has become clearer, the elements that are relevant for further analysis should be more clearly linked to objectives and options. Proposed operational objectives should focus on concrete policy effects rather than on procedural issues. The report should also more clearly explain the content of the different options and their design. Although the interaction with other specific sectoral state aid guidelines and the links to the state aid modernisation and EU funding instruments are clearer, the report should also explain what could be done to avoid duplications of checks under State aid and Cohesion policy rules. Finally, the choice of some of the 'sub-options' is not clear and does not always appear in line with the purposes of the options. For example the unemployment objective is considered under the option that specifically addresses the 'competition' objective (option 3) and not the (preferred) one that prioritises 'cohesion' goals.

(3) Further improve the analysis of impacts and the comparison of options. The report acknowledges the uncertainties and limitations associated with the use of statistics for the estimation of impacts. Nevertheless, it should give at least broad indications of the key economic, social and environmental impacts, especially with regard to the consequences of the different options for regions and different groups of aid beneficiaries. In so doing, the report should take into account the effects of the economic crisis. It should moreover address the employment impacts of different options and sub-options and further strengthen the assessment of expected impacts on the competitiveness of the relevant sectors, particularly for the steel and shipbuilding sectors. The specific assessment of impacts on SMEs should be strengthened, especially since they appear to be disproportionately affected by administrative burdens under the preferred option. More generally, whenever options are likely to entail a significant increase in administrative burden, this should be quantified. While the comparison of options is now presented in a more transparent way, it should still give a clearer indication of the expected effects of the preferred option. In the more detailed overview of impacts, the overall change in administrative burden should be clarified on the basis of concrete figures.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report

(D) Procedure and presentation

The report proposes monitoring indicators against which the successful implementation of the planned rules should be assessed, but it should add key impact indicators to gauge progress in the achievement of the general objectives, including stimulating growth and employment. The evidence on regional disparities should be based on the most recent data and it should be presented in a consistent manner. The report should better integrate and clearly specify the views of stakeholders and Member States on the design of the options and the analysis of impacts. The glossary of key definitions and terms is welcomed, but it should also include those economic terms that may be unclear for the non-expert reader. The section on impacts in the 'executive summary' should be presented more clearly.

(E) IAB scrutiny process

Reference number	2012/COMP/003
External expertise used	No
Date of IAB meeting	Written procedure An earlier version of this report was submitted to the IAB in April 2013, on which the Board issued its opinion on 26 April 2013.