A Regional Aid fit for the post-Covid world
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Background

The impact of the Covid-19 crisis on social and territorial cohesion is yet to reveal its full magnitude. Evidence gathered so far point to a surge in inequalities, between and within regions, in the following years. The way to the recovery could be bumpy, or even not fully materialize, for a number of territories. Peripheral and maritime regions will face, to varying degrees, additional challenges linked to their pre-existing geographical and economic conditions. For some of these areas the crisis will directly or indirectly aggravate longstanding challenges, such as depopulation, energy dependency, etc.

The unprecedented situation has triggered exceptional policy responses both at national and EU level, including a provisional relaxation of state aid rules (Temporary Framework). The CPMR has welcomed the prompt adoption of these measures since the early days of the emergency and the decision to extend them until the worst of the downturn is over. It invites the Commission to carry out a thorough assessment prior to restoring the pre-crisis state aid rules and look into the possibility to make this process gradual where needed.

Looking ahead, the CPMR considers that this crisis requires an overarching reflection on the territorial implications of the state aid framework as such. This applies in particular to the regional state aid rules which are the main focus of this policy position.

Regional state aid rules are designed to support economic development and job creation in least favored areas in order to achieve territorial cohesion. They have acquired growing salience amid the steady rise in regional inequalities since the economic crisis of 2008 which has been further aggravated by the Covid-19.

The regional aid framework has an important role to play in ensuring a territorially balanced recovery. Over the next few years, the Recovery Plan and MFF will generate staggering volumes of public investments across Europe, mostly in the form of grants. The regional aid framework can help maximize the impact of these investments. It can also provide a substantial contribution in achieving the green transition, especially in those regions that lag behind on this front.
Regarding the regional aid guidelines, the CPMR:

- Welcomes the fact that the guidelines on regional aid for 2022-2027 acknowledge the rising territorial disparities in the EU by taking a more flexible approach compared to the past. Of particular notice is that aid provisions are partially relaxed instead of being further tightened for the first time in over two decades. This signals a timid, albeit positive, departure from the strict approach that dominated the previous periods.
- Questions, however, whether the new changes are broad enough to tackle the enormous challenges confronting peripheral maritime Regions.
- Is of the view that a change of paradigm is needed to make the regional aid fit for the increasing number of challenges confronting Europe’s regions.
- Calls therefore on the Commission to launch a broad reflection for the future on these important issues.

Regarding aid intensities, the CPMR:

- Welcomes the increase of the maximum aid intensities across the board as a positive step, considering that had being constantly lowered since 2000-2006.
- Considers nevertheless that an adequate response to the long-lasting effects of the current crisis may require further adjustments upwards under some categories, even if they are of a temporary nature.

Regarding population coverage and assisted areas, the CPMR:

- Regrets that the population coverage will decrease, in some countries to a considerable extent, compared to the previous period despite the rising number of areas diverging from the EU average on key socio-economic indicators.
- Understands and agrees with the main rationale behind setting a fixed ceiling for the overall coverage, that is to avoid excessive distortions. It considers, nonetheless, that the gloomy outlook for territorial cohesion may demand additional flexibility when it comes to the designation of non-predefined “c” areas. This should be taken into consideration in view of the mid-term review scheduled for 2024.
- Invites the European Commission to explore an additional option to grant Member States the possibility to designate additional assisted areas for limited periods, outside the national quota, in response to specific serious situations, such as events with a major economic impact (e.g. a major natural disaster, Brexit). As far as ‘a’ areas are concerned, their identification has been historically based on the GDP per capita. Yet 107(3)(c) TFEU refers also to areas where there is serious underemployment.

Regarding territories beset by geographical and demographic handicaps, the CPMR:

- Believes that the territorial focus of the regional aid guidelines should be further expanded to best reflect article 174 TFEU. Territories with specificities under the different categories should be granted additional flexibility in terms of aid intensities, aid to large enterprises, nature of the aid.

Regarding aid to large enterprises, the CPMR:

- Notes that aid to large enterprises is further limited under the new guidelines, neglecting the difficulties experienced by many peripheral and maritime areas in attracting new investments or halt delocalization.
Believes that broadening the scope for aid to large enterprises, notably in “c” areas, is absolutely necessary, bearing in mind the acceleration of the spatial concentration of economic activities in a relatively small number of highly urbanized areas at the expense of the rest of regions. In peripheral and maritime regions, large enterprises have often an important role in terms of job creation and development of high added value sectors. The full ineligibility of aid granted to expansion projects undertaken by large enterprises in “c” areas, which is in place since the 2014-2020, is of particular concern and should be reviewed.

Believes that the creation of an intermediate category between SMES and large companies should be envisaged based on the definition of mid-cap companies. For those intermediate enterprises, the aid intensities would be more favorable and limitations imposed on aid to large enterprises would not apply or be softened.

Regarding the contribution of regional aid guidelines to deliver a green transition, the CPMR:

- Strongly believes that the regional aid guidelines can provide a contribution to deliver EU climate goals especially in those regions where market failures require robust public investment to foster the transition. The CPMR welcomes the fact that this objective features prominently in the new guidelines.
- Regrets, however, that this commitment is translated into very limited provisions which are bound to have little impact.