

IT.4131 - Supplementary remarks of the Greek authorities on the draft Regional Aid Guidelines (RAGs)

Aid Intensity

1. We consider it appropriate for clarifications to be provided on point 183, regarding the level at which the proximity is considered so that the difference in aid intensity does not exceed 15%. Please clarify if the aid intensities are compared at NUTS 2, NUTS 3 or other level.

Mid-term review

The EC proposes a revision of the RAGs to be formulated in 2024, taking into account the effects of the pandemic in the years 2020 to 2022.

2. Due to the expected impact of the pandemic on the economy, a mid-term review is proposed in 2023, based on the 2020-2021 data, and another on 2025, based on the 2022 and 2023 data.

Aid to large enterprises in 'c' areas

According to the Commission's proposal, large enterprises in 'c' areas receive aid for initial investments in new economic activities.

3. It is proposed for the eligibility to be expanded, so that large enterprises in 'c' areas also receive aid for the diversification of existing establishments into new products or new process innovations, since for these are actions, which are easier to be implemented in a specific region due to spatial constraints, aid was already foreseen in the existing RAGs. A similar provision exists in GBER, article 14. In order for the proposal to be accepted, a provision could be introduced for any investment aid granted to a large enterprise in order to diversify an existing establishment in a 'c' region for the production of new products to be subject to a notification requirement.

4. It is also noted that a standing request of the Greek authorities is the creation of an intermediate category of enterprises with regard to size (e.g. 750 employees) - large medium-sized enterprises – that will have

an aid intensity ceiling between that of medium and large enterprises (5% or zero increase) but will be treated as SMEs with regard to the other restrictions and conditions. A similar category existed in previous regulations for agriculture and fishery.

Scope of regional aid

5. The possibility of financing the synthetic fibres sector through the regional aid schemes is considered positive. On the other hand, the possibility of financing broadband network and research infrastructure schemes has been removed, as well as the possibility of financing investments in the lignite and coal sector. The addition of these two options is proposed, along with restrictions that will meet the requirements of the respective legal frameworks.

It would also be appropriate to confirm that support of the synthetic fibres sector is compatible with the European Green Deal.

6. In view of the financial problems faced by enterprises due to the COVID-19 pandemic, it is estimated that applying the definition of firms in difficulty which is included in the State Aid Guidelines for Rescuing and Restructuring could lead to the exclusion of a significant number of mainly small and medium-sized enterprises (SMEs) from potential regional aid schemes. For this reason, we consider it appropriate to limit the conditions for the exclusion of SMEs under paragraph 18 of the draft new RAGs in a way similar to the one applied in TF. The SMEs to be excluded could involve (a) those that are subject to collective insolvency proceedings or fulfils the criteria under domestic law for being placed in collective insolvency proceedings at the request of their creditors (b) those who have received rescue aid and have not yet repaid the loan or terminated the guarantee agreement or those who have received restructuring aid and are still subject to a restructuring plan). As an alternative proposal this derogation may applied only for small and very small enterprises.

Eligible costs

7. In the definition for the single investment project, it is proposed to consider as a single investment project every investment in the same activity (4-digit NACE) or any investment in an upstream or downstream activity to an existing one, rather than every investment made by a beneficiary in the same region within a three-year period.

8. Where the aid concerns the coverage of wage costs arising from job creation as a result of the investment, the obligation to have the relevant job created *within one year of completion of the investment* is restrictive, particularly in cases where specialized staff is required. It is proposed to return to the three-year limit, so that there is also compatibility with GBER.

Furthermore, it is noted from the application of the regional aid schemes that any aid based on wage costs, as currently implemented (creation of new jobs within three years) already falls short of the alternative aid option based on the cost of the investment (especially in countries with low wages). For this reason, it is proposed to keep the three-year period as a period during which new jobs can be created (which is a realistic time span to cover all jobs created by the investment) and also to increase the period of aid for wage costs from two to three years for each job position, from the date of its creation.

9. Paragraph 27 states that "by way of derogation from the condition in paragraph 26, the costs of vendor tools located at suppliers' premises may be included in the eligible costs of the aided initial investment, provided they remain in the ownership and on the balance sheet of the aid beneficiary, and are exclusively used to manufacture intermediate products needed for the production process resulting from the aided initial investment". It is necessary to clarify whether the term "costs of vendor tools" also includes intangible assets, as paragraph 35 of RAGs states that intangible assets should be used exclusively at the establishment receiving the aid.

10. For SMEs, up to 50% of the costs for preparatory studies or consultancy costs linked to the investment may also be considered eligible costs. It should be specified whether these eligible costs only refer to consulting services provided by external consultants.

11. It should be also clarified whether these services may involve a continuous or periodic activity or may be linked to the normal operating costs of the undertaking, e.g. regular fiscal and legal consultancy or advertising services.

12. It is stated that in the case of acquisition of an establishment, only the costs for the purchase of assets from third parties, unrelated to the seller, should be taken into consideration. It is proposed to introduce a derogation for small enterprises to the effect that "unless it is a small enterprise, which is acquired either by a family member or by an employee of the original owner".

Compatibility assessment

13. Regarding the compatibility assessment of the regional aid schemes in the current there is no reference to schemes financed by the ESIF, nor any provision for a lenient assessment procedure for these schemes , although the aim of the cohesion policy is purely regional development and this funding directly contributes to reducing regional disparities. In this context, it is proposed:

- In Chapter 5.1.1, to add a point stipulating that, for measures implemented in accordance with the regional development strategies set out in the framework of the European Regional Development Fund (ERDF), the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund and the Just Transition FUND, it automatically ensues that they are an integral part of a regional development strategy, with clearly defined objectives , that are consistent with and contribute to the attainment of these objectives.

- In Chapter 5.3.2, to add a point stipulating that for aid schemes that implement the objectives and priorities of operational programs the form of aid selected is considered to be appropriate

14. When assessing the negative impact of a measure points 118 to 123 of the proposal, Creating overcapacity in a market in absolute decline, are very difficult to be verified and supported at scheme level.

It is proposed to maintain this assessment at the level of individual notified aid, and to limit the assessment on schemes to the provisions of paragraphs 125-127. Experience has shown that the verification of “not creating overcapacity in a market in decline”, increases the bureaucratic burden and the required data cannot be determined for schemes, particularly those that target more than one economic sector and more than one product, which are unrelated to one another.

Evaluation

The draft RAG has significantly increased the cases of aid that will require evaluation, thus increasing the bureaucratic burden, without clearly defining the characteristics of the schemes for which evaluation will be necessary, except for large budget schemes. The specifications provided are general and entail increased discretionary powers for the EC.

15. It is necessary to identify the cases for which an evaluation is needed. Furthermore, the threshold of 150 million euros per year essentially abolishes the threshold of 750 million euros and the possibility of not carrying out an evaluation for schemes of less than three years. It is proposed to set a min annual budget threshold leading to the evaluation of a scheme. The threshold should be at the level of the average annual budget of the scheme and not at the level of actual annual disbursements, as it is common practice for aid disbursements to fall far behind aid granting, particularly in the case of short-term measures. The same approach has been followed at the GBER evaluation provisions.

