



Response from the Norwegian Association of Local and Regional Authorities to the public consultation on the regional state aid guidelines

The Norwegian Association of Local and Regional Authorities (KS) is an interest organization for all local governments in Norway. All municipalities and county councils are members. KS is also Norway's largest public employer organization.

KS welcomes the opportunity to submit our comments on the draft regional state aid guidelines to the European Commission. The regional state aid guidelines allow for the use of regional aid schemes that are crucial for our members, and thus **the main features of the proposed guidelines should be maintained.**

Norway's population of 5.4 million is very small relative to the area, with long distances and small markets for labour, commodities and services. Furthermore, the bigger part of North Norway, an area of around 112 000 square kilometers with around 480 000 inhabitants, lies north of the Arctic Circle with a predominant arctic climate. Regional policy is a long-lasting priority on the Norwegian political agenda. To reach the key objectives such as increasing employment and economic activity in sparsely populated areas and avoiding depopulation in very sparsely populated areas, regional aid schemes play a key role.

Like other European countries, Norway faces the same challenge of depopulation and ageing as identified in the European Commission Demography Report 2020. One of the key instruments in preventing negative demographic change and contributing to economic growth is the regionally differentiated social security contributions scheme. This operating aid scheme aims to prevent and reduce depopulation in the very sparsely populated regions in Norway by stimulating employment through reduced employment costs.

According to a [study](#) from 2018, the scheme works very well and effectively contributes to the objectives of increasing employment, without distorting the internal market. The scheme is also fully in line with the aim of the Territorial Agenda 2030 to ensure a sustainable future for all places and people, by reducing inequalities through local and regional development. **Thus, the current guidelines on operating aid in the regional state aid guidelines should be maintained.**

For regional aid schemes to work as effectively as possible, they must be adapted to local and regional needs. Therefore, the regional state aid guidelines must allow for sufficient flexibility in order to make necessary future adjustments.

Regional state aid guidelines should in principle be as horizontal as possible, and sector-exclusions should be reduced to absolute minimum. KS wishes to emphasise that regional aid schemes in Norway

are used to support *regions*, and to increase employment in a region independent of the sector that employers are operating in. However, we fully support the objectives of Green Deal and adjustments of the eligible sectors accordingly. We also support the proposal to increase the maximum aid intensities back to the levels of the previous RAG to support the European Green Deal and Digital Strategy objectives.