

Eurocities contribution for a roadmap feedback on the Regional State aid – new guidelines

City authorities play a central role in providing public services and contribute to Europe's economic stability and to economic, social and territorial cohesion. European cities should be empowered in our role as promoters of economic and social innovation. Today's demographic, social and economic trends pose new challenges to our society, create new forms of exclusion and put pressure on traditional social protection systems. City authorities react by adapting and modernising their services, by introducing new programmes and policies to prevent social polarisation and exclusion, to promote health and well-being of young people and the elderly, as well as participation and diversity.

The COVID-19 crisis has positioned cities on the frontline in addressing the challenges of the pandemic. Cities have proved the leadership in managing the crisis and demonstrated responsibility and resilience by immediately reallocating municipal budgets to take pro-active measures to mitigate the negative impact of the crisis on people.

The recovery from this crisis should be fair, inclusive and sustainable, and drive forward the green and digital transitions. Unlocking and boosting the strong social investments and delivery of social services should be at the core of this recovery, while economic, environmental and social policy must mutually reinforce each other.

Eurocities recommends to:

- Maintain the flexibility in state aid rules post-pandemic by keeping the spending for social infrastructure and social services outside of the budget deficit calculation.
- Harmonise definitions and streamline rules. Focus should be on:
 - 'reasonable profit'
The 2012 Package has provided clarifications on the concept of 'reasonable profit' and introduces some new indicators: any 'reasonable profit' can be calculated taking into account in relation in particular to the quality of the service provided and gains in productive efficiency. These quality and efficiency control prerequisites are unduly complicated.
 - 'economic activity'
Due to the complex nature of local public services and the fact that they are increasingly provided in different ways, an activity which is economic in one-member state might not be economic in another. For instance, higher private education paid by students or their parents is an economic activity, but basic education services are generally not.
 - 'typically well-run undertaking'
The fourth Altmark criterion which defines when public service compensation is or not a state aid also needs to be clarified. It states that the level of compensation should be calculated on the basis of a typical well-run undertaking if the service provider is not selected by a public procurement procedure. The European Commission must clarify what is the meaning of 'well run undertaking' and what are the entities that can be subject to it.
- Simplify and ensure proportionality in state aid rules to the nature and size of local public services.
- Better match of state aid with public procurement.
- Ensure the necessary flexibility of SGEI so that local authorities can choose the most appropriate form of service provision (for instance direct, in house, concession or procurement) and operate in stable regulatory environment.

- Ensure the legal certainty and predictability needed for the provision of high-quality public services.
- Redefine the narrow definition of the target group for social housing provided in the European Decision on state aid rules for Services of General Economic Interest. The interpretation of this definition has led to legal uncertainty and reduced options for cities to use social housing as a tool for social mix and social cohesion within local housing policies. It should be up to the member states and local authorities to assess the housing needs of their citizens in need.
- Provide more supportive instruments. In addition to the interactive information service, which is a useful tool, we would welcome training in all EU languages for city officers on how to deal with state aid rules, organised by the European Commission (such as the ones provided during the State Aid Modernisation process for member states).
- Reduce the reporting requirements to minimum, as many reporting requirements impose considerable administrative burden on city authorities.