



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL DECISION

on the position to be taken by the Community within the Association Committee established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, with regard to the adoption of a Regional aid map on the basis of which regional aid granted by Czech Republic will be assessed

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. This is a proposal for the adoption of a Regional aid map on the basis of which regional aid granted by Czech Republic will be assessed.

According to Article 64(4)(a) of the Europe Agreement, the Parties recognised that during the first five years after its entry into force, any regional aid granted by the Czech Republic shall be assessed taking into account the fact that the Czech Republic shall be regarded as an area identical to those areas of the Community described in Article 87(3)(a) of the Treaty establishing the European Community.

On 8 March 2001 the EU-Czech Republic Association Council adopted decision No 3/2001 with regard to the extension for a further period of five years of the Czech Republic as an area identical to those areas of the Community described in Article 87(3)(a) of the Treaty establishing the European Community. The decision was applied as from 1 January 1997 and has expired on 31 December 2001.

Article 2 of decision No 3/2001 obliged the Czech Republic to submit the per capita Gross Domestic Product figures which have been harmonised at NUTS level II to the European Commission within six months of the date of the adoption of the decision. On that basis, the Czech Republic State aid monitoring authority (Office for the Protection of Economic Competition) and the European Commission jointly evaluated the eligibility of the regions as well as the maximum aid intensities in relation thereto, in order to draw up the regional aid map on the basis of the Community guidelines on national regional aid¹.

In reference to Article 4(2) of the Implementing Rules for the application of the provisions on State aid of the Europe Agreement, it is considered that the duration of the Regional aid map should cover the period between 31 December 2001, the expiry date of the period for which Czech Republic was considered as an area identical to those areas of the Community described in Article 87(3)(a) of the Treaty in accordance with the decision of decision No 3/2001 of the EU-Czech Republic Association Council of 8 March 2001, and the date of accession or 31 December 2006, whatever comes first. The inclusion of 31 December 2006 as end date is important to maintain consistency with the maps for the current Member States, all of which (except the map for Germany) will expire on that date, as well as with the programming of Structural Funds support.

2. According to the Community guidelines on national regional aid, the eligibility conditions for the derogation under Article 87(3)(a) of the Treaty are fulfilled if the region, being a NUTS level II geographical unit, has a per capita gross domestic product, measured in purchasing power standards (GDP/PPS), of less than 75% of the Community average. In the case of regions falling under Article 87(3)(a) the intensity of regional aid must not exceed 50% net grant

¹ OJ C 74 of 10.3.1998, p. 9.

equivalent (NGE), except in the outermost regions, where it may be as much as 65% NGE. In the NUTS level II regions eligible under Article 87(3)(a) whose per capita GDP/PPS is greater than 60% of the Community average, the intensity of regional aid must not exceed 40% NGE, except in the outermost regions, where it may be as high as 50% NGE. The GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available.

Also according to the Community guidelines on national regional aid, a national ceiling on population coverage for regions eligible under Article 87(3)(c) of the Treaty is set, in each Member State, at a sufficient level to include all the regions which have just lost their Article 87(3)(a) status and areas with a low population density. For parts of the regions that lose their Article 87(3)(a) status as a result of the review of the regional aid map and that acquire Article 87(3)(c) status, the Commission could accept, during a transitional period of four years, a progressive reduction of the aid intensity ceilings for which such regions would have been eligible under Article 87(3)(a), at a linear or faster rate, until the intensity ceiling corresponding to their new status is reached.

In the case of regions falling under Article 87(3)(c), the ceiling on regional aid must not exceed 20% NGE, except in the low population density regions or in the outermost regions, where it may be as high as 30% NGE. In regions eligible under Article 87(3)(c), which have both a higher per capita GDP/PPS and a lower unemployment rate than the respective Community average, the intensity of regional aid must not exceed 10% NGE except in the low population density regions or in the outermost regions, where it may be as high as 20% NGE. Exceptionally in the case of regions subject to the said ceiling of 10% NGE, higher intensities not exceeding the normal ceiling of 20% NGE may be approved for regions (corresponding to NUTS level III or smaller) adjoining a region with Article 87(3)(a) status. Again, the GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available.

In the case aid is granted to small and medium-sized enterprises², the above aid intensity ceilings may be raised by 15 percentage points gross grant equivalent (GGE) in Article 87(3)(a) regions and by 10 percentage points GGE in Article 87(3)(c) regions.

The above ceilings constitute upper limits which apply to the total aid whenever assistance is granted concurrently under several regional schemes, and regardless of whether it comes from local, regional, national or Community sources. Beneath these ceilings, regional aid intensity ceilings are to be adjusted to reflect the seriousness and intensity of the regional problems addressed. The seriousness and intensity of the regional problems must be assessed within the broader context of the Community and of the countries with which Europe agreements have been concluded.

² OJ L 107 of 30.4.1996, p. 4.

3. The Czech Republic consists of eight NUTS level II regions. According to the statistical data available for the years 1998-2000, one of these (Praha) has a per capita GDP/PPS that exceeds 75% of the Community average. However, the Praha region, which is also a single NUTS level III region, had been eligible for Article 87(3)(a) until 31 December 2001, and can therefore be regarded as a region that just lost its Article 87(3)(a) status. According to the same statistical data, the seven other Czech NUTS level II regions all have a per capita GDP/PPST that is lower than 60% of the Community average.

4. In the proposed regional aid map, all NUTS level II regions but Praha are therefore granted the Article 87(3)(a) status. The regional aid intensities ceilings are set at the following levels:

50% NGE in the NUTS level II regions of Střední Čechy and Moravskoslezsko,

49% NGE in the NUTS level II regions of Severozápad and Střední Morava,

48% NGE in the NUTS level II regions of Severovýchod and Jihovýchod,
and

46% NGE in the NUTS level II region of Jihozápad.

The above aid intensities are raised by 15 percentage points GGE in the case of aid granted to small and medium-sized enterprises.

5. As a former 87(3)(a) region, the NUTS level II region of Praha is granted the Article 87(3)(c) status. Since the Czech Republic does not wish to make use of the ity to make use of the possibility to apply the transitional period during which aid intensities can be progressively reduced, and considering that Praha is also a NUTS level III region that adjoins regions with an Article 87(3)(a) status, the regional aid intensity ceiling is set at 20% NGE. This ceiling is raised by 10 percentage points GGE in the case of aid granted to small and medium-sized enterprises.

6. The Czech Republic State aid monitoring authority (Office for the Protection of Economic Competition) and the European Commission jointly evaluated the proposed regional aid map for the Czech Republic (eligibility of the regions as well as the maximum aid intensities in relation thereto) and concluded that it is in conformity with the Community guidelines on national regional aid.

7. The Commission hereinafter submits the joint proposal to the Council and requests the Council to adopt the attached proposal for an Association Committee Decision.

Proposal for a

COUNCIL DECISION

on the position to be taken by the Community within the Association Committee established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, with regard to the adoption of a Regional aid map on the basis of which regional aid granted by Czech Republic will be assessed

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 in conjunction with the first sentence of Article 300(2) first subparagraph first sentence and second subparagraph thereof;

Having regard to the proposal of the Commission³

Whereas:

- (1) The European Communities and their Member States signed the Europe Agreement with the Czech Republic in October 1993.
- (2) Article 64(4)(a) of the Agreement provides that the Parties recognise that during the first five years after the entry into force of this Agreement, any public aid granted by the Czech Republic shall be assessed taking into account the fact that the Czech Republic shall be regarded as an area identical to those areas of the Community described in Article 92 (3) (a) of the Treaty establishing the European Economic Community.
- (3) Article 4(2) of the Implementing Rules for the application of the provisions on State Aid of the Europe Agreement, as adopted by the Decision No.1/1998 of the EU Czech Association Council of 24 June 1998, provides that the monitoring authorities shall jointly evaluate the maximum aid intensities and specific regional coverage of the areas eligible for national regional aid. They shall submit a joint proposal to the Association Committee which shall establish a decision to this effect.
- (4) Article 2 of the decision No 3/2001 of the EU – Czech Republic Association Council in 8 March 2001 with regard to the extension for a further period of five years of Czech Republic as an area identical to those areas of the Community described in the Article 87(3)(a) of the Treaty obliged Czech Republic within six months of the date of the adoption of the decision to

³ OJ C [...] of [...], p. [...]

submit the GDP per capita figures which have been harmonised at NUTS level II to the European Commission;

- (5) The Czech Republic State aid monitoring authority and the European Commission jointly evaluated the eligibility of the regions as well as the maximum aid intensities in relation thereto in order to draw up the regional aid map on the basis of the Community guidelines on national regional aid⁴;
- (6) According to Article 4(2) of the Implementing rules, in conjunction with Article 2, third sentence of Decision No 3/2001 of the EU-Czech-Republic Association Council, a joint proposal shall be submitted to the Association Committee, which shall take a decision to this effect;
- (7) According to the Community guidelines on national regional aid, the eligibility conditions for the derogation under Article 87(3)(a) of the Treaty are fulfilled if the region, being a NUTS level II geographical unit, has a per capita gross domestic product, measured in purchasing power standards (GDP/PPS), of less than 75% of the Community average;
- (8) In the case of regions falling under Article 87(3)(a) the intensity of regional aid must not exceed 50% net grant equivalent (NGE), except in the outermost regions, where it may be as much as 65% NGE. In the NUTS level II regions eligible under Article 87(3)(a) whose per capita GDP/PPS is greater than 60% of the Community average, the intensity of regional aid must not exceed 40% NGE, except in the outermost regions, where it may be as high as 50% NGE;
- (9) The GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available;
- (10) Within the limit of 75% NGE, the above mentioned aid intensity ceilings may be raised by 15 percentage points gross grant equivalents (GGE) in the case of aid granted to small and medium-sized enterprises⁵ in Article 87(3)(a) regions;
- (11) Also according to the Community guidelines on national regional aid, a national ceiling on population coverage for regions eligible under Article 87(3)(c) of the Treaty is set, in each Member State, at a sufficient level to include all the regions, which have just lost their Article 87(3)(a) status and areas with a low population density. For parts of the regions that lose their Article 87(3)(a) status as a result of the review of the regional aid map and that acquire Article 87(3)(c) status, the Commission could accept, during a transitional period of four years, a progressive reduction of the aid intensity ceilings for which such regions would have been eligible under Article 87(3)(a), at a linear or faster rate, until the intensity ceiling corresponding to their new status is reached;
- (12) In the case of regions falling under Article 87(3)(c), the ceiling on regional aid must not exceed 20% NGE, except in the low population density regions or in the outermost regions, where it may be as high as 30% NGE. In regions eligible

⁴ OJ C 74 of 10.3.1998, p. 9.

⁵ OJ L 107 of 30.4.1996, p. 4.

under Article 87(3)(c), which have both a higher per capita GDP/PPS and a lower unemployment rate than the respective Community average, the intensity of regional aid must not exceed 10% NGE except in the low population density regions or in the outermost regions, where it may be as high as 20% NGE. Exceptionally in the case of regions subject to the said ceiling of 10% NGE, higher intensities not exceeding the normal ceiling of 20% NGE may be approved for regions (corresponding to NUTS level III or smaller) adjoining a region with Article 87(3)(a) status. Again, the GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available;

- (13) Within the limit of 30% NGE, the above mentioned aid intensity ceilings may be raised by 10 percentage points GGE in the case of aid granted to small and medium-sized enterprises⁶ in Article 87(3)(c) regions;
- (14) All the above aid intensity ceilings constitute upper limits which apply to the total aid whenever assistance is granted concurrently under several regional schemes, and regardless of whether it comes from local, regional, national or Community sources. Beneath these upper limits, regional aid intensity ceilings are to be adjusted to reflect the seriousness and intensity of the regional problems addressed; the seriousness and intensity of the regional problems must be assessed within the broader context of the Community and of the countries with which Europe Agreements have been concluded;
- (15) The Czech Republic consists of eight NUTS level II regions. According to the statistical data available for the years 1998-2000, one of these (Praha) has a per capita GDP/PPS that exceeds 75% of the Community average. However, the Praha region, which is also a single NUTS level III region, had been eligible for Article 87(3)(a) until 31 December 2001, and can therefore be regarded as a region that just lost its Article 87(3)(a) status. According to the same statistical data, the seven other Czech NUTS level II regions all have a per capita GDP/PPST that is lower than 60% of the Community average;
- (16) In the proposed regional aid map, all NUTS level II regions but Praha are therefore granted the Article 87(3)(a) status. The regional aid intensities ceilings are set at the following levels:

50% NGE in the NUTS level II regions of Střední Čechy and Moravskoslezsko,

49% NGE in the NUTS level II regions of Severozápad and Střední Morava,

48% NGE in the NUTS level II regions of Severovýchod and Jihovýchod, and

46% NGE in the NUTS level II region of Jihozápad.

The above aid intensities are raised by 15 percentage points GGE in the case of aid granted to small and medium-sized enterprises;

⁶ OJ L 107 of 30.4.1996, p. 4.

- (17) As a former Article 87(3)(a) region, the NUTS level II region of Praha is granted the Article 87(3)(c) status. Since the Czech Republic does not wish to make use of the possibility to apply a transitional period during which aid intensities can be progressively reduced, and considering that Praha is also a NUTS level III region that adjoins regions with an Article 87(3)(a) status, the regional aid intensity ceiling is set at 20% NGE. This ceiling is raised by 10 gross percentage points in the case of aid granted to small and medium-sized enterprises;
- (18) The maximum aid intensities applicable in each of the above mentioned regions, as jointly evaluated by the Czech Republic State aid monitoring authority and the European Commission, are in conformity with the requirements set by the Community guidelines on national regional aid.

HAS DECIDED AS FOLLOWS:

Sole Article

The position to be taken by the Community within the Association Committee established by the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part, with regard to the adoption of the regional aid map shall be based on the draft decision of the Association Committee annexed to this Decision.

Done at Brussels,

*For the Council
The President*

ANNEX

**ASSOCIATION
BETWEEN THE
EUROPEAN UNION
AND CZECH REPUBLIC**

- The Association Committee -

DECISION No .../2002 OF THE ASSOCIATION COMMITTEE

**BETWEEN THE EUROPEAN COMMUNITIES
AND THEIR MEMBER STATES, OF THE ONE PART,
AND CZECH REPUBLIC, OF THE OTHER PART,**

of

**adopting a regional aid map on the basis of which regional aid
granted by Czech Republic will be assessed**

THE ASSOCIATION COMMITTEE,

Having regard to the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, ND THE Czech Republic, of the other part, and in particular Article 64(4)(a) thereof;

Having regard to Article 4(2) of the Implementing Rules for the application of the provisions on State aid of the Europe Agreement, as adopted by Decision No 1/98 of the EU-Czech Republic Association Council of 24 June 1998;

Having regard to decision No 3/2001 of the EU-Czech Republic Association Council of 8 March 2001 with regard to the extension for a further period of five years of the Czech Republic as an area identical to those areas of the Community described in Article 87(3)(a) of the Treaty establishing the European Community and in particular its Article 2, third sentence;

Whereas:

- (1) Article 2 of the decision No 3/2001 obliged the Czech Republic within six months of the date of the adoption of the decision to submit the GDP per capita figures which have been harmonised at NUTS level II to the European Commission;
- (2) the Czech Republic State aid monitoring authority and the European Commission jointly evaluated the eligibility of the regions as well as the

maximum aid intensities in relation thereto in order to draw up the regional aid map on the basis of the Community guidelines on national regional aid ⁷;

- (3) according to Article 4(2) of the Implementing Rules, in conjunction with Article 2, third sentence of Decision No 3/2001 of the EU-Czech-Republic Association Council, a joint proposal shall be submitted to the Association Committee, which shall take a decision to this effect;
- (4) according to the Community guidelines on national regional aid, the eligibility conditions for the derogation under Article 87(3)(a) of the Treaty are fulfilled if the region, being a NUTS level II geographical unit, has a per capita gross domestic product, measured in purchasing power standards (GDP/PPS), of less than 75% of the Community average;
- (5) in the case of regions falling under Article 87(3)(a) the intensity of regional aid must not exceed 50% net grant equivalents (NGE), except in the outermost regions, where it may be as much as 65% NGE. In the NUTS level II regions eligible under Article 87(3)(a) whose per capita GDP/PPS is greater than 60% of the Community average, the intensity of regional aid must not exceed 40% NGE, except in the outermost regions, where it may be as high as 50% NGE;
- (6) the GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available;
- (7) within the limit of 75% NGE, the above mentioned aid intensity ceilings may be raised by 15 percentage points gross grant equivalent (GGE) in the case of aid granted to small and medium-sized enterprises⁸ in Article 87(3)(a) regions;
- (8) also according to the Community guidelines on national regional aid, a national ceiling on population coverage for regions eligible under Article 87(3)(c) of the Treaty is set, in each Member State, at a sufficient level to include all the regions which have just lost their Article 87(3)(a) status and areas with a low population density. For parts of the regions that lose their Article 87(3)(a) status as a result of the review of the regional aid map and that acquire Article 87(3)(c) status, the Commission could accept, during a transitional period of four years, a progressive reduction of the aid intensity ceilings for which such regions would have been eligible under Article 87(3)(a), at a linear or faster rate, until the intensity ceiling corresponding to their new status is reached;
- (9) in the case of regions falling under Article 87(3)(c), the ceiling on regional aid must not exceed 20% NGE, except in the low population density regions or in the outermost regions, where it may be as high as 30% NGE. In regions eligible under Article 87(3)(c) which have both a higher per capita GDP/PPS and a lower unemployment rate than the respective Community average, the intensity of regional aid must not exceed 10% NGE except in the low population density regions or in the outermost regions, where it may be as high as 20% NGE.

⁷ OJ C 74 of 10.3.1998, p. 9.

⁸ OJ L 107 of 30.4.1996, p. 4.

Exceptionally in the case of regions subject to the said ceiling of 10% NGE, higher intensities not exceeding the normal ceiling of 20% NGE may be approved for regions (corresponding to NUTS level III or smaller) adjoining a region with Article 87(3)(a) status. Again, the GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available;

- (10) within the limit of 30% NGE, the above mentioned aid intensity ceilings may be raised by 10 percentage points GGE in the case of aid granted to small and medium-sized enterprises⁹ in Article 87(3)(c) regions;
- (11) all the above aid intensity ceilings constitute upper limits which apply to the total aid whenever assistance is granted concurrently under several regional schemes, and regardless of whether it comes from local, regional, national or Community sources. Beneath these upper limits, regional aid intensity ceilings are to be adjusted to reflect the seriousness and intensity of the regional problems addressed; the seriousness and intensity of the regional problems must be assessed within the broader context of the Community and of the countries with which Europe Agreements have been concluded;
- (12) The Czech Republic consists of eight NUTS level II regions. According to the statistical data available for the years 1998-2000, one of these (Praha) has a per capita GDP/PPS that exceeds 75% of the Community average. However, the Praha region, which is also a single NUTS level III region, had been eligible for Article 87(3)(a) until 31 December 2001, and can therefore be regarded as a region that just lost its Article 87(3)(a) status. According to the same statistical data, the seven other Czech NUTS level II regions all have a per capita GDP/PPST that is lower than 60% of the Community average;
- (13) In the proposed regional aid map, all NUTS level II regions but Praha are therefore granted the Article 87(3)(a) status. The regional aid intensities ceilings are set at the following levels:
 - 50% NGE in the NUTS level II regions of Střední Čechy and Moravskoslezsko,
 - 49% NGE in the NUTS level II regions of Severozápad and Střední Morava,
 - 48% NGE in the NUTS level II regions of Severovýchod and Jihovýchod, and
 - 46% NGE in the NUTS level II region of Jihozápad.The above aid intensities are raised by 15 percentage points GGE in the case of aid granted to small and medium-sized enterprises;
- (14) as a former Article 87(3)(a) region, the NUTS level II region of Praha is granted the Article 87(3)(c) status. Since the Czech Republic does not wish to make use of the possibility to apply a transitional period during which aid intensities can be progressively reduced, and considering that Praha is also a

⁹ OJ L 107 of 30.4.1996, p. 4.

NUTS level III region which adjoins regions with an Article 87(3)(a) status, the regional aid intensity ceiling is set at 20% NGE. This ceiling is raised by 10 gross percentage points in the case of aid granted to small and medium-sized enterprises;

- (15) the maximum aid intensities applicable in each of the above mentioned regions, as jointly evaluated by the Czech Republic State aid monitoring authority and the European Commission, are in conformity with the requirements set by the Community guidelines on national regional aid.

HAS DECIDED AS FOLLOWS:

Article 1

The NUTS level II regions of Střední Čechy, Moravskoslezsko, Severozápad, Střední Morava, Severovýchod, Jihovýchod, and Jihozápad shall be regarded as areas eligible for regional aid, identical to those areas in the Community described in Article 87(3)(a) of the Treaty establishing the European Community.

The NUTS level II region of Praha shall be regarded as an area eligible for regional aid, identical to those areas in the Community described in Article 87(3)(c) of the Treaty.

Article 2

The regional aid intensity ceiling shall be limited to 20% net grant equivalent in the NUTS level II region of Praha, to 50% in the NUTS level II regions of Střední Čechy and Moravskoslezsko, to 49% in the NUTS level II regions of Severozápad and Střední Morava, to 48% in the NUTS level II regions of Severovýchod and Jihovýchod and to 46% in the NUTS level II region of Jihozápad.

The regional aid intensity ceilings referred to under Article 2, paragraph 1, may be raised by 10 percentage points gross grant equivalent in the case of aid granted to small and medium-sized enterprises¹⁰ in the NUTS level II region of Praha and by 15 percentage points gross grant equivalents in the NUTS level II regions of Střední Čechy, Moravskoslezsko, Severozápad, Střední Morava, Severovýchod, Jihovýchod, and Jihozápad.

The regional aid intensity ceilings referred to under Article (2), paragraphs 1 and 2, shall constitute upper limits which apply to the total aid whenever assistance is granted concurrently under several regional schemes, and regardless of whether it comes from local, regional, national or Community sources.

¹⁰ OJ L 107 of 30.4.1996, p. 4.

Article 3

This Decision shall enter into force on the day of its adoption. It shall expire on 31 December 2006 or the date of Czech Republic's accession to the European Union, whichever comes earlier.

Done at Brussels,

*For the Association Committee
The President*