



**Report on state aids granted in Romania  
between 2004 and 2006  
= summary =**

According to the provisions of articles 31 and 32 within Law no. 143/1999 regarding state aid, republished, beginning with the year 2004, the Competition Council was allocated the task of elaborating and annual updating of the State Aids Inventory, which contains all the existent state aid schemes and individual state aids. After the 1<sup>st</sup> of January 2007, the competences of the Competition Council within the state aid field have changed, the Law no. 143/1999 has been recalled, coming into force G.E.O. no. 117/2006 regarding the national procedures within the state aid field. According to the provisions of articles 19(1) and 20 within this G.E.O., the Competition Council still has the task of elaborating and annual updating of the State Aids Inventory.

Based on the Inventory, **the Competition Council elaborates an annual Report on state aids granted in Romania**, which is forwarded to the Government of Romania for information, after that being published in the Official Monitor and delivered to the European Commission.

The present report displays a situation of the level, structure and direction recorded in granting state aids in our country between the years 2004 and 2006, thus being the 8<sup>th</sup> Report elaborated by Romania and the 1<sup>st</sup> one since the accession to the European Union (however, the Report analyzes the period of time prior to the accession).

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**1. The methodology of elaborating the report is provided in the “Regulation concerning the procedures of reporting and monitoring of state aids”, issued by the Competition Council.**

Thus, the Report represents a **statistical instrument**, intended for the **assurance of transparency within the state aid field**, and was elaborated on the basis of the data and information sent by all the state aid grantors – central or local public authorities – as well as organisms which administrate sources from the state or from local collectivities.

The information comprehends a period of time of 3 years, respectively the year of report 2006 and 2 previous years – 2004 and 2005 – for the updating of the previous data. The report contains data and information concerning the state aids granted between the years 2004-2006, grouped in the following **chapters**:

- National state aid;
- State aid granted to the processing industry;
- State aid granted to the extractive industry;
- State aid granted to undertakings for services of general economic interest (SGEI);
- State aid granted for the development of the labor force;
- State aid granted for financial services, tourism, media and culture;
- Fiscal state aids;
- State aids granted in the transportation sector;
- State aid granted to agriculture and fishery;
- The recuperation of the illegal state aids.

The Report is drafted on the structure of the Scoreboard of the state aids, elaborated by the European Commission, through which it evaluates the evolution and the level of the state aids granted by the Member States of the European Union.

For the analysis of the volume of the state aids granted in Romania, aggregated macro-economical indicators sent by the National Institute of Statistic (INSSE) have been used (GDP, GDP deflator, number of employees on each sector of activity, the annual average exchange rate).

**2. The analysis of the evolution of state aids granted in Romania during the period 2004-2006** is made up of 2 levels: the objectives that were taken into consideration when the aids were granted and the instruments used for the grants.

**The National State Aid in terms of current prices presents a general decreasing trend, from 6,5 billion RON in 2004 (1,6 billion Euro) to 2,4 billion RON in 2006 (0,69 billion Euro).**

**As weight in the GDP, the National State Aid also had a decreasing trend, from 2.64% in 2004 to a mere 0.71% in 2006 (Annex 1).**

The higher level recorded in **2004** was due to **the intensification of the process of restructuring and privatization of companies with a majority of state capital within that period**, as well as the fact that it was the last year when the iron industry in Romania has ever received state aids. This aspect is also reflected by the weight of the aids consisting of *exemptions* and *allowances* for the *fiscal obligations payment* of the economic agents towards the state, respectively of the aids consisting of *exemptions* and *allowances from paying the supplementary charges for payment delays* (fiscal

aids), granted during the process of privatization and restructuring, in the national state aid.

The decrease of the state aid during the period 2004-2006 was due, basically, to the interdiction of granting state aids in the iron industry and because of the significant diminishing of the state aids granted for the rescuing and restructuring of the undertakings in distress.

A. Regarding the analysis on objectives of the state aids granted in Romania between 2004 and 2006, a tendency of alignment to the priorities established in "The Action Plan" of the European Commission, adopted in June 2005, has been noticed. Thus, the general picture of the state aids granted in Romania between 2004 and 2006 on each objective (Annex 2) illustrates, clearly, the trend recorded in this period of time:

- In 2006, **the horizontal objectives** (research-development, environmental protection, small and medium enterprises, rescuing – restructuring, fighting against unemployment, other objectives) represented **80,52%** of the national aid (excepting agriculture, fishery and transports), thus having an ascending trend compared to the previous years (74.41% in 2005 and 63.82% in 2004); the weight of the state aids granted for research, development and innovation and the weight of the state aids directed towards SMEs have recorded an ascending trend in 2006 compared to the year 2004 – 4.27% respectively 2.63% within the total national aid (excepting agriculture, fishery and transports) compared to 0.93% respectively 0.14% - and the weight of the aids for rescuing-restructuring (which imply a greater deal of risk in distorting competition) has encountered a massive decrease – 10.05% in 2006 compared to 26.53% in 2004.

- In 2006, **the sector-specific objectives** (iron, shipbuilding, motor vehicles, synthetic fibers and wires, the coal industry, tourism, financial services, media and culture) represented **16,10%** of the national aid (excepting agriculture, fishery and transports), thus having a descending trend compared to the previous years (22.85% in 2005 and 32.34% in 2004).

- In 2006, **regional objectives** represented **3.38%** of the national aid (excepting agriculture, fishery and transports), their weight in the analyzed period being relatively constant.

As it is observed from the analysis, regarding the repartition of the state aid on objectives, **Romania aligns itself to the general tendency within the European Union, which consists of orientating state aid towards horizontal objectives** (research-development, environmental protection, SMEs) and the decreasing of the state aid granted to sectors which are sensitive from a competitive point of view (iron, ship-building, auto).

The correct application of the rules in the state aid field conducts to the use of state aids by those fields or economic sectors contributory to the consolidation/development of the economy, to the concentration of the resources to the areas or fields left behind, thus, reducing the existing delay compared to the level of development of the community economy.

B. Regarding the division of the national state aid among the financial tools used (Annex 3), its structure is the following:

- **80,87% “Budgetary expenses”** in 2006, which consists of grants, allowances, bonuses, subsidized interests, other refundable amounts, as well as equity participations and debt conversions; the weight of the budgetary expenses in the national state aid (excepting agriculture, fishery and transports) has recorded an ascending trend during the analyzed period (from 17.99% in 2004 and 69.95% in 2005).

- **19.13% “Revenues renouncement”** in 2006, which consists of exemptions and allowances for the payment of fiscal obligations towards the state, exemptions and allowances from paying the supplementary charges for the payment delay, state guarantees; the weight of the revenues renouncements in the national state aid (excepting agriculture, fishery and transports) has recorded a descending trend between 2004 and 2006 (from 82.01% in 2004 and 30.05% in 2005).

This division of the national state aid on financial tools in the analyzed period of time is according to the requests of the European Commission of reducing the fiscal state aids, because these can affect the trade within the community.

Concerning the fiscal aids, according to the messages from the Commission, the existence of some tax regulations comparable or even opposite among the Member States, does not presume the granting of state aids, and that is why each measure must be evaluated within the context of the taxing system in each country.

The descending trend of the fiscal aids reflects the correct application of the community aquis by harmonizing the supporting measures provided in the Romanian legislation.

**3.** According to the **Scoreboard Report** elaborated by the European Commission and published in the spring of 2008, in the year 2006, the total amount of state aids granted by all 27 member states was 48.7 billion euro, accounting for 0.42% of the GDP, while the last 12 new-accepted states granted 3.89 billion Euro, thus accounting for 0.51% of the GDP. In Romania, the total amount of state aids granted represented 0.56% of the GDP (545 million Euro), a value a little above the average of the EU-12.

However, if the aid is expressed *per capita*, results a PPS indicator (the European standard concerning the purchasing power) for Romania of 51 Euro (PPS) per person, half of the EU-27 average (which was 99 Euro PPS per person).

In Romania's case, during all the period between 2004 and 2006, the weight of the state aid in the GDP has surpassed the EU average. The highest value was recorded in 2004, but after that the level reduced significantly. This evolution of the state aids in Romania was comparable to those recorded in other member states of the EU-12 prior to the accession.

The amount of the aid was much more significant in the years before the accession, basically because of the massive process of restructuring and privatization.

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The year 2005 marks Romania's alignment to the community policies and practices in the field of state aid. It is the beginning of a period in which Romania's sustained efforts of respecting the rules regarding state aid have led to a similar level of our country than to those of the countries which became member states during the last accession stream in 2004.

Reaching this objective was possible because of the elaboration of certain policies intended on granting less distorting and better orientated aids, through an effective and efficient control of the state aids and through the implementation of the community legislation concerning state aid as early as the pre-accession period.

The application, prior to the accession, of the community aquis in the fields of competition and state aid was necessary for the Romanian companies to adapt to the new rules and for them to be prepared to cope with the competition forces on the Single European Market, starting with the 1<sup>st</sup> of January 2007.

Romania's adaptation for the accession has intensified beginning with the conclusion of the restructuring and privatization processes of the big companies with state capital and with the ceasing of granting state aids in the iron industry starting with the 1<sup>st</sup> of January 2005.

The results of this intense process of breaching into the Single European Market didn't hesitate to show themselves. In this respect, **the years of 2005 and 2006 come up with 2 features:**

- The reduction of the National State Aid, both in an absolute value and as weight in the GDP
- The directing of the state aid towards horizontal objectives less susceptible of distorting competition and affecting the trade between Romania and the Member States (research-development, SMEs).

Romania's evolution in this field is owed, on one hand, to the fact that the importance of respecting the rules at a European level has been taken into awareness, and, on the other hand, to the alignment to the objectives of the Lisbon Strategy by the European Commission and to the positive answer to the successive appeals of the Council of the European Union for "fewer state aids, but better orientated".

## Annex 1

### National State Aid

	2002	2003	2004	2005	2006
<b>National state aid expressed in:</b>					
Thousand Lei current prices (excepting agriculture, fishery and transports)	2.685.790,23	3.449.221,00	6.513.486,18	2.316.455,97	2.438.237,88
Thousand Euros current prices*	859.308,51	918.423,94	1.606.994,10	639.297,81	691.796,82
Thousand Lei constant prices 2002**	2.685.790,23	2.781.629,84	4.567.662,12	1.447.784,98	1.380.655,65
<b>Dynamics %</b>	<b>100,00</b>	<b>103,57</b>	<b>170,07</b>	<b>53,91</b>	<b>51,41</b>
<b>The weight of the national state aid in the GDP % (excepting agriculture, fishery and transports)</b>	<b>1,77</b>	<b>1,75</b>	<b>2,64</b>	<b>0,80</b>	<b>0,71</b>
National state aid per person – Lei constant prices 2002 (excepting agriculture, fishery and transports)	123,23	127,99	210,75	66,95	64,01
National state aid per employee – Lei constant prices 2002 (excepting agriculture, fishery and transports)	587,98	605,90	1.022,11	317,57	295,82

\* calculated upon the annual average exchange rate between the Leu and Euro, source INSSE;

\*\* the GDP deflator has been used in order to transform into constant prices 2002, source INSSE (GDP deflator 2002 = 100%; 2003=124%, 2004=142,60%, 2005=160,00%, 2006=176,60%).

## Annex 2

### The level and structure of the national state aid by objectives between 2004 and 2006

	2002	2003	2004	2005	2006
<b>National state aid (excepting agriculture, fishery and transports), expressed in:</b>					
Thousand Lei current prices	2.685.790,23	3.449.221,00	6.513.486,18	2.316.455,97	2.438.237,88
Thousand Euros current prices	859.308,51	918.423,94	1.606.994,10	639.297,81	691.796,82
Thousand Lei constant prices 2002	2.685.790,23	2.781.629,84	4.567.662,12	1.447.784,98	1.380.655,65
<b>Out of which for:</b>					
<b>&gt; horizontal objectives</b>					
Thousand Lei current prices	1.811.404,63	2.040.417,66	4.156.813,82	1.723.643,36	1.963.185,15
Thousand Euros current prices	579.552,12	543.301,93	1.025.560,68	475.692,80	557.010,97
Weight in total state aid %	<b>67,44</b>	<b>59,16</b>	<b>63,82</b>	<b>74,41</b>	<b>80,52</b>
<b>&gt; sector objectives (excepting the transport sector)</b>					
Thousand Lei current prices	637.275,45	1.214.648,13	2.106.598,96	517.010,06	392.620,54
Thousand Euros current prices	203.893,89	323.424,31	519.735,82	142.408,97	111.397,51
Weight in total state aid %	<b>23,73</b>	<b>35,22</b>	<b>32,34</b>	<b>22,28</b>	<b>16,10</b>
<b>&gt; regional objectives</b>					
Thousand Lei current prices	237.110,15	194.155,21	250.073,39	76.802,55	82.432,19
Thousand Euros current prices	75.862,50	51.697,70	61.697,60	21.196,04	23.388,34
Weight in total state aid %	<b>8,83</b>	<b>5,62</b>	<b>3,84</b>	<b>3,31</b>	<b>3,38</b>

## Annex 3

### The structure of the national state aid by its nature

	2002	2003	2004	2005	2006
<b>NATIONAL STATE AID – Thousand Lei current prices (excepting agriculture, fishery and transport)</b>					
<b>TOTAL</b>	<b>2.685.790,23</b>	<b>3.449.221,00</b>	<b>6.513.486,18</b>	<b>2.316.455,97</b>	<b>2.438.237,88</b>
out of which:					
<b>Revenues renouncement</b>	<b>1.981.681,99</b>	<b>2.260.233,42</b>	<b>5.341.795,05</b>	<b>696.184,30</b>	<b>466.477,06</b>
Weight in NSA* (%)	<b>73,78</b>	<b>65,53</b>	<b>82,01</b>	<b>30,05</b>	<b>19,13</b>
out of which:					
Exemptions and allowances from fiscal obligations payment	573.730,03	999.787,90	1.618.416,20	441.233,85	193.707,61
Weight in NSA* (%)	<b>21,36</b>	<b>28,99</b>	<b>24,85</b>	<b>19,05</b>	<b>7,94</b>
Exemptions and allowances from paying the supplementary charges for the payment delay	1.017.134,35	1.072.067,14	2.479.335,01	169.745,60	236.457,20
Weight in NSA* (%)	<b>37,87</b>	<b>31,08</b>	<b>38,06</b>	<b>7,24</b>	<b>10,81</b>
State guarantees	390.817,61	188.378,38	1.244.043,84	87.204,85	9.312,25
Weight in NSA* (%)	<b>14,55</b>	<b>5,46</b>	<b>19,10</b>	<b>3,76</b>	<b>0,38</b>
<b>Budgetary expenses</b>	<b>704.108,24</b>	<b>1.188.987,58</b>	<b>1.171.691,13</b>	<b>1.620.271,67</b>	<b>1.971.760,82</b>
Weight in NSA* (%)	<b>26,22</b>	<b>34,47</b>	<b>17,99</b>	<b>69,95</b>	<b>80,87</b>
out of which:					
Subsidies, grants, bonuses, subsidized interest, other non-refundable amounts	629.683,62	1.095.385,28	1.040.679,73	1.554.708,77	1.961.369,12
Weight in NSA* (%)	<b>23,45</b>	<b>31,76</b>	<b>15,98</b>	<b>67,12</b>	<b>80,44</b>
Equity participation, debts conversion	74.424,62	93.602,30	131.011,40	65.562,90	10.391,70
Weight in NSA* (%)	<b>2,77</b>	<b>2,71</b>	<b>2,01</b>	<b>2,83</b>	<b>0,43</b>

\* NSA = national state aid (excepting agriculture, fishery and transports)



## Annex 4

### Global volume of the state aids granted per beneficiary fields in Romania between 2004 and 2006\*

	MU	2002	2003	2004	2005	2006
<b>National state aid</b> (excepting agriculture, fishery and transports) out of which for:	Thousand Lei current prices	2.685.790,23	3.449.221,00	6.513.486,18	2.316.455,97	2.438.237,88
	Thousand Euros	859.308,51	918.423,94	1.606.994,10	639.297,81	691.796,82
	%	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>Processing industry</b>	Thousand Lei	1.394.409,72	1.168.437,47	3.052.975,57	346.951,57	371.999,94
	Thousand Euros	446.136,16	311.119,80	753.223,94	95.752,04	105.546,87
	%	<b>51,92</b>	<b>33,88</b>	<b>46,87</b>	<b>14,98</b>	<b>15,26</b>
<b>Coal industry</b>	Thousand Lei	187.609,50	806.184,90	859.184,59	411.951,15	370.582,00
	Thousand Euros	60.024,96	214.662,82	211.976,28	113.690,69	105.144,56
	%	<b>6,99</b>	<b>23,37</b>	<b>13,19</b>	<b>17,78</b>	<b>15,20</b>
<b>Research – development</b>	Thousand Lei	26.650,33	51.204,16	60.294,94	57.994,11	104.046,04
	Thousand Euros	8.526,67	13.634,13	14.875,85	16.005,27	29.520,79
	%	<b>0,99</b>	<b>1,48</b>	<b>0,93</b>	<b>2,50</b>	<b>4,27</b>
<b>Environmental protection</b>	Thousand Lei	44.121,72	40.869,22	43.770,90	28.982,97	40.415,92
	Thousand Euros	14.116,58	10.882,25	10.799,07	7.998,75	11.467,14
	%	<b>1,64</b>	<b>1,18</b>	<b>0,67</b>	<b>1,25</b>	<b>1,66</b>
<b>Small and medium enterprises</b>	Thousand Lei	97.616,97	28.797,68	9.434,35	20.291,93	64.203,74
	Thousand Euros	31.232,18	7.667,96	2.327,62	5.600,19	18.216,41
	%	<b>3,63</b>	<b>0,83</b>	<b>0,14</b>	<b>0,88</b>	<b>2,63</b>
<b>Creating work places</b>	Thousand Lei	28.398,10	55.190,53	21.571,77	8.064,65	4.047,54
	Thousand Euros	9.085,87	14.695,58	5.322,77	2.225,69	1.148,40
	%	<b>1,06</b>	<b>1,60</b>	<b>0,33</b>	<b>0,35</b>	<b>0,17</b>
<b>Other objectives</b> (trading, constructions, services, services of of general economic interest)	Thousand Lei	874.039,43	1.045.998,10	2.293.969,36	1.376.852,91	1.505.408,11
	Thousand Euros	279.645,64	278.517,87	565.963,47	379.985,23	427.126,72
	%	<b>32,54</b>	<b>30,33</b>	<b>35,22</b>	<b>59,44</b>	<b>61,74</b>

\* Aids granted for tourism, financial services, media and culture are not included