

**Report on monitoring state aids granted**  
**for restructuring firms in difficulty**  
**- Summary -**

According to the decisions of authorizing state aids for restructuring firms in difficulty, issued by the Competition Council until the 1<sup>st</sup> of January 2007, the grantors have the obligation to send periodical and detailed reports regarding the phase of the implementation of the measures provided in the restructuring programs. In case of aids granted to large enterprises, the first of these reports will be sent to the Competition Council no later than 6 months from the moment the aid was authorized. Subsequently, reports are to be sent to the Competition Council on a yearly basis, until the restructuring period will end.

Starting with the year 2007, the decisions of authorizing state aids for rescuing and restructuring firms in difficulty are being issued by the European Commission.

The aids for rescuing and restructuring were granted in order for firms in difficulty to become viable, to prevent new losses and commercial debts to occur. After the implementation of the Restructuring Plan, these firms should become competitive on the market, should increase their productivity and contribute to the economic development, thus assuring a potential reversibility of the received aid.

The report is divided into 2 sections:

- I. Data and information referring to the way the restructuring programs that **have been finalized in the period between 2007 and 2008** were implemented;
- II. A review of the stage of implementation of the restructuring programs that have their **deadline at the end of 2009**.

During the period 2007-2008 a number of 40 undertakings have finalized their restructuring programs. **Out of the 40 undertakings, the Competition Council has received from grantors only 21 reports** (7 finalized in 2007, 10 finalized when they were due in 2008 and 4 finalized before their deadline in 2009).

**A number of 22 undertakings will finalize their plans in 2009**, but the grantor has sent reports regarding the stage of implementation of the restructuring programs at the 31<sup>st</sup> of December 2008 for only **3 beneficiaries**.

Out of 24 analyzed beneficiaries (21 that finalized their plan between 2007 and 2008 and 3 that will finalize their plan at the end of 2009), the majority (66,67%) **have been granted restructuring aids based on Law no. 137/2002 article 18**, within the privatization process.

The analyzed enterprises received aids granted through decisions issued by the Competition Council between 2003 and 2006, a period in which an international economical and financial crisis was not taken into consideration.

The individual state aids for restructuring, authorized by the Competition Council, had a total value of 1.347.384,21 Lei and consisted in exemptions and allowances for the payment of fiscal obligations towards the state, exemptions and allowances from paying the supplementary charges for the payment delay, transfers for social protection, capital allocations for partially covering of some current payments, grants for mining products, the conversion of some debts into shares.

In general, as a conclusion drawn from analyzing all the undertakings in the report, it resulted that at the time the grantors sent their reports, the firms have implemented a large part of the measures within the restructuring plans. The implemented measures can be grouped in the following categories:

- Organizational measures;
- Technological measures;
- Environmental measures;
- Financial restructuring measures.

The volume of the debts towards the state and local budgets has decreased, which has enabled undertakings to become more credible on the financial market, in order to draw credits for the current activity and for the investment activity.

The situation, for the 21 undertakings which finalized their restructuring plans between 2007 and 2008, is the following:

- 10 undertakings have fully fulfilled the assumed measures and became viable, generating profit in the last 2-3 years;
- 5 undertakings have fully fulfilled the assumed measures and have generated profit in the last analyzed year, but this thing cannot lead to the fact that they have become viable;
- 1 undertaking did not become viable even though it totally implemented the assumed restructuring plan, while another undertaking became viable even though it did not succeed in fulfilling one of the assumed financial measures;
- 4 undertakings have not totally implemented the assumed restructuring programs and neither did they become viable.

Thus, the Competition Council has elaborated some letters destined for the grantors of restructuring aids, in which it was asked for specific information regarding the measures taken by them in the case of the beneficiaries which had not fully fulfilled their assumed restructuring measures.

For the 3 beneficiaries that have finalized in advance their restructuring plans, following the analyze of the received reports, it has been conducted that they all have fulfilled their assumed measures until the 31<sup>st</sup> of December 2008 and have generated profit in the last 3 years of activity.

**The Competition Council will continue to closely monitor the beneficiaries of rescuing and restructuring aids** based on reports sent by the grantors according to the authorizing

decisions. As concerning the decisions of authorizing state aids for rescuing and restructuring issued by the European Commission after the date of accession, the grantors will report to the Competition Council the stage of implementing the measures provided in the restructuring programs in order to send them to the European Commission. Disrespecting the objectives provided in the restructuring plans or encountering major deviations compared to the projected indicators will entail a reanalyzing of the authorized state aid.