



Reporting, Monitoring and Controlling
State Aid Directorate
No. 645 / 29.09.2011

APPROVED,
PRESIDENT

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Report on State Aid
Granted in Romania over the Period 2007 – 2009
(Summary)

This report presents the situation of the level, structure and trends in the granting State aids in our country over the period 2007-2009, being the eleventh Report prepared by Romania, and the fourth from joining the European Union.

1. The working out methodology of the report is stipulated into the „Regulation on procedures for State aid reporting and monitoring”¹ (NS 1), issued by the Competition Council.

Thus, the Report is a document designed to ensure transparency in State aid field and has been drawn up on the basis of data and information sent by all State aid suppliers (there were around 250 State aid suppliers – central and local public authorities, as well as other bodies administering the State or local communities resources). In order to enable a complete analysis of State aid evolution, the submitted reportings have been centralized by certain criteria: activity sectors, State aid objectives, and nature of the granted measures.

The submitted information covers a three years period, respectively the reporting year (2009) and two prior years (2007 and 2008) – with a view to updating previous data.

Analysis of data and information regarding State aids granted during 2007 - 2009 was structured on the following chapters:

¹ Published in the Official Gazette no. 436/28.06.2007

1. General Remarks,
2. National State Aid,
3. State Aid Granted to Manufacturing Industry,
4. State Aid Granted to Mining Industry,
5. State Aid Granted for the Employment,
6. State Aid Granted to Financial Services, Tourism, Media and Culture,
7. Regional Aid,
8. State Aids Granted to the Transport Sector,
9. State Aid Granted to Undertakings Providing SGEIs (Services of General Economic Interest),
10. *De Minimis* Aid,
11. State Aids Granted in the Context of the Economic and Financial Crisis,
12. State Aids Granted to Agriculture and Fisheries,
13. Conclusions.

To ensure comparability between data in the report and those from the European Commission Scoreboard, some types of State aids have been presented separately: State aids granted to certain sectors - transport, agriculture and, respectively, fisheries; State aids to SGEIs; the *de minimis* aids, as well as those State aids awarded in the context of the economic and financial crisis.

For the analysis of the volume of State Aids granted in Romania have been used the macro-economic aggregated indicators sent by the National Institute of Statistics (GDP, GDP deflator, the number of employees, the average annual exchange rate).

2. The analysis of the evolution of State aids awarded in Romania between 2007-2009 was achieved as follows: first of all, **on the annual total volume**, and then on **two levels**, namely: on **the objectives** had in view in granting State aids, and on **the instruments employed** for their awarding.

A. The Total National State Aid (less agriculture, fisheries, transport, SGEIs and *de minimis* aids), expressed in current prices, has recorded in 2009 the smallest value of the analyzed period (Lei 748.7 mil., compared to Lei 851.1 mil. in 2007, and Lei 969.3 mil. in 2008).

As weight in the GDP, the National State Aid had a continuous decreasing trend, from 0.20% in 2007 to 0.19% in 2008 and to 0.15% in 2009 (*see Annex I*).

The decrease of the National State Aid during the period 2007-2009 was due mainly to the diminishing State aids granted for rescuing and restructuring undertakings in difficulty.

B. As regards **the analysis on objectives** of the State aids awarded in Romania during the period 2007-2009 (*see Annex 2*), it was found that, over this period, the largest share in the total National State Aid (less agriculture, fisheries, transport, SGEIs and *de minimis* aids) was still held by the **State aids having sectoral objectives** (with an average weight of over 50%).

Over the analysed period, the trend recorded by the share of sectoral aids in the total National State Aid (less agriculture, fisheries, transport, SGEIs and *de minimis* aids) was oscillatory, as follows: an accentuated decrease, from 56.50% in 2007, to 46.66% in 2008, followed by an increase in 2009 (up to 52.25%).

The high values of sectoral aids during the 2007-2009 period were justified by the State aid granted to mining sector – and especially to the National Company of Pit Coal in Petrosani – in the form of direct subsidies aiming to cover costs related to the current production and in the form of subsidies aimed at covering social expenditure, this State aid being authorized by the European Commission.

In the category of **aids with horizontal objectives** are included State aids such as: research and development, environmental protection, SMEs, rescue and restructuring, unemployment fighting and professional training - all these being considered as less harmful in terms of competitive (*see Annex 3*).

The decreasing tendency recorded by the aids with horizontal objectives in 2009 (23.79%) was due mainly to the diminution of the rescue-restructuring aids granted to companies in difficulty at the privatization moment.

The largest share in the total State aids with horizontal objectives has been held by aids awarded for research-development and innovation (R&D&I, with an average of over 50%, thus being in line with the European Commission recommendations).

The European Commission is encouraging promoting the State aid schemes which are leading to the development of the R&D&I – this objective being also taken over into the new economic European Strategy for the next 10 years (entitled „the Europe 2020”), adopted by the European Council.

Regional aid granted in Romania has been treated distinctly, in Chapter 7 of the Report, due to the special importance of the EU regional policy - in achieving the community goal of diminishing the existing regional imbalances are taken into consideration a number of measures like: stimulating the balanced development, revitalizing deprived areas, preventing the creation of new imbalances, stimulating interregional cooperation and creating new jobs.

The situation of regional aids granted in Romania over the period 2007-2009 shows the increasing trend of their share in the total National State Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aid) - from 7.45% in 2007, to 23.96 in 2009; this trend was due mainly to the new State aid schemes having regional development as objective (initiated from 2007, these will change also the structure of the regional aids in Romania, as regards their nature - the awarding form of these aids being the grants).

Thus, a number of 11 State aid schemes having regional development as objective were set up in 2007 – being exempted from notification. Of these, 10 schemes were aimed at making investment in order to prevent, reduce and control pollution, to manage waste and to purify waters, etc., while one scheme had the aim of making investment in industrial parks.

In 2008, have been initiated 10 State aid schemes having as objective the regional development, 9 of them being exempted from notification to the European Commission; the aim of these schemes was to support making investment, to support creating and developing structures for business sustaining, etc. The 10th scheme was notified to the European Commission, being authorized by it; such scheme had as objective to promote regional development in Romania, giving the opportunity of carrying out large investment projects, in the sense of the provisions from the *Guidelines on regional State aid*.

In 2009 have been initiated two schemes, as follows: a scheme exempted from notification, with a view to ensuring the economic sustainable development, and a scheme notified to the European Commission, aimed at supporting investment to extend and modernize the distributing networks for electricity and natural gas.

The report contains a **new chapter**, dedicated to **State aid measures adopted by Romania in the context of the economic and financial crisis** (Chapter 11). Out of the 4 supporting measures authorized by the European Commission, only one State aid scheme took effects within the analyzed period (namely in 2009). The aid (in the form of guarantees to credits for investment) has been awarded to undertakings which were not in difficulty after the date of 1st July 2008, and it was amounting Lei 10.64 thousand - representing a very small weight of the total National State Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aid).

A particular place in the structure of the present report occupied **the SGEIs (services for general economic interest)**, which were largely analyzed in the Chapter 9.

The volume of State aids awarded to SGEIs sector in 2007-2009 had the following evolution: a sharp decline, from Lei 1,474,969 thousand in 2007, to Lei 1,316,670

thousand in 2008, followed by an increase in 2009 (up to Lei 1,404,901 thousand). Although the volume of State aids granted in 2009 for the SGEIs sector was lower than the value in 2007, this level exceeded (over 1,5 times) the amount of the National State Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aid).

Over the analyzed period, subsidies aiming to compensate costs registered in providing services within the field of producing and supplying heat and hot water for the population were predominant in the total volume of aids granted to SGEIs, this form of State aid having an average share of about 96%.

The present report has treated also, distinctly, the **supporting measures having the character of *de minimis* aid**.

Since 1st January 2007, in Romania all *de minimis* schemes and all individual *de minimis* aids have been awarded in accordance with provisions of the *EC Regulation no. 1998/2006 on applying Articles 87 and 88 of the EC Treaty for de minimis aids*.

These aids are not subject to the notification to the European Commission, but have to be sent to the Competition Council, for information, within 15 days from the adopting date (according to provisions of *GEO no. 117/2006 regarding the national procedures in the field of State aid*).

Over the period 2007-2009, the *de minimis* aids have been oriented, predominantly, to certain objectives such as: promoting trade, developing SMEs, supporting start-ups to face the competition in the common market, employing manpower among unemployed, protecting environment, etc.

Although the general trend of this category (*de minimis* aid) was a decreasing one (from Lei 127.5 mil. in 2007, to Lei 112.9 mil. in 2009), have been recorded also some increases, namely: the *de minimis* aids for SMEs, those aimed at developing and modernizing enterprises, as well as those for rural development; these increases were due also to accessing community funds.

As concerns **the community funds**, it should be mentioned that the largest part of the total amount **awarded as State aid** in 2009 (Lei 93,398.38 thousand) was granted through 2 schemes exempted from notification, initiated in 2008 by the Ministry of Agriculture and Rural Development. These two schemes had as objective stimulating SMEs, their source being the European Agricultural Fund for Rural Development; their share in the total volume of community funds accessed as State aids attained the level of 62.50%.

C. Allocation of National State Aid on used financial instruments (see Annex 5)

The National State Aid structure was the following:

- **98.87% „Budgetary Expenditure”**, in 2009; this category included subsidies, allowances, bonuses, subsidized interests, other non-reimbursable amounts, as well as State equity participation and debts conversion; during the analyzed period, the share of the „Budgetary Expenditures” in the National State Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aids) has increased - from 85.07% in 2007, to 94.90% in 2008.

- **1.13% „Abandoning State Incomes”**, in 2009; this category contains the exemptions from and reductions at fiscal duties payment, exemptions from and reductions at payment of delay increases, State guarantees; during the 2007-2009 period, the percentage of abandoning revenues (incomes) in the National Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aids) has been diminished - from 14.93% in 2007, and 5.10% in 2008, until 1.13% in 2009.

This situation is consistent with the European Commission requirements to diminish the State aid of fiscal nature, as they can harm the trade inside the Community.

The reducing trend of fiscal aids reflects also the proper implementing of the *acquis communautaire*, Romania being fully aligned the EU State aid policy.

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Interpreting data contained in this report gives an overview of the evolution of various State aids, of the sectors of activity which required support, and also of the objectives to be pursued for Romania to align the strategy adopted by the European Union through the Lisbon Agenda 2000 and the strategy "Europe 2020".

Aligning Romania to the Community policies and practices in the field of State aid has been prepared through a number of important measures such as: developing policies aimed at ensuring compliance with the requirement of granting less distorting and better targetted aids; effective and efficient control of State aids, as well as implementing Community legislation in the State aid field even since the pre-accession period.

The process of adapting to the Single Market has been intensified after 1st January 2007 (the date of the Romania's accession to the EU), when the Community regulations in the State Aid field have become directly applicable.

The results of this intensive process of adapting to the Single Market have already appeared, being reflected in the following features of the Romanian State aid policy:

- diminishing National State Aid, as volume and percentage in the GDP,
- reducing State aids granted as tax incentives liable to distort competition and to affect trade among Romania and the other Member States,
- implementing the European Commission regulations, issued in the context of the current crisis, by initiating aid measures to support the access to financing under the economic and financial crisis.

Romania's progress in this area is due to the awareness of the importance of compliance with the rules of the game at the European level, on the one hand, and, on the other hand, to the alignment of its State aid policy to the objectives of the European Commission strategy.

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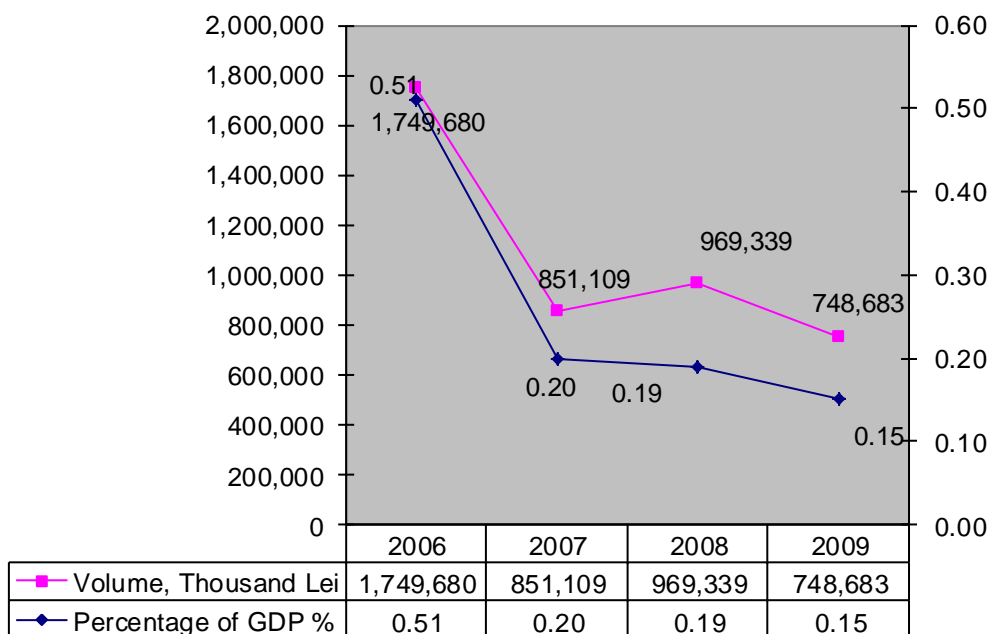
Annex 1

State Aid Identified at National Level

	2006	2007	2008	2009
National State Aid (less agriculture, fisheries, transport, SGEIs*, and de minimis aid) expressed in:				
Thousand Lei - Current prices	1,749,679.53	851,108.65	969,339.39	748,683.28
Thousand Euros ** - Current prices	496,433.40	255,029.11	263,214.32	176,688.76
National State Aid - percentage in the GDP (%)	0.51	0.20	0.19	0.15

* SGEIs - Services of General Economic Interest

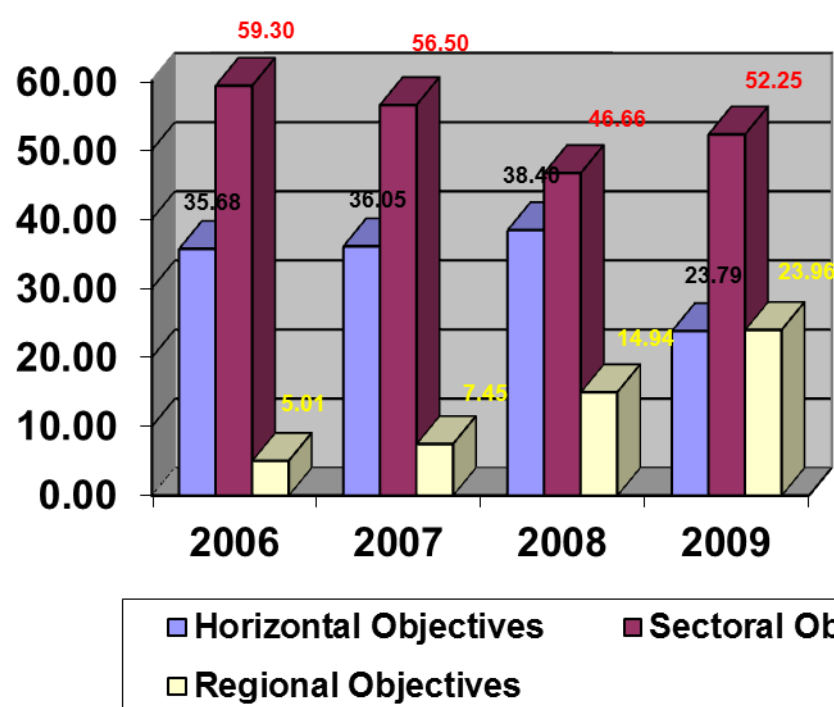
** Calculated on the basis of the average annual exchange rate RON / Euro - Source INSSE



Annex 2

National State Aid volume and structure, by objectives, in 2007-2009

	2006	2007	2008	2009	
National State Aid (less agriculture, fisheries, transport, SGEIs*, and de minimis aid) expressed in:				Funds from the State Budget	Community Funds *
Thousand Lei – Current prices	1,749,679.53	851,108.65	969,339.39	748,683.28.	93,398.38
Thousand Euros – Current prices	496,433.40	255,029.11	263,214.32	176,688.76	22,041.96
Of which, for:					
Horizontal objectives					
Thousand Lei – Current prices	624,352.50	306,838.54	372,219.25	178,106.42	58,380.31
Thousand Euros – Current prices	177,146.40	91,942.15	101,072.38	42,033.00	13,777.71
Share in total aid / Community fund (%)	35.68	36.05	38.40	23.79	62.51
Sectoral objectives (less transport)					
Thousand Lei – Current prices	1,037,623.87	480,888.38	452,328.30	391,190.51	0.00
Thousand Euros – Current prices	294,403.14	144,095.04	122,825.18	92,320.70	0.00
Share in total aid (%)	59.30	56.50	46.66	52.25	0.00
Regional objectives					
Thousand Lei – Current prices	87,703.16	63,381.73	144,791.84	179,375.71	4,753.37
Thousand Euros – Current prices	24,883.86	18,991.92	39,316.76	42,332.55	1,121.79
Share in total aid / Community fund (%)	5.01	7.45	14.94	23.96	5.09
* the difference of 32.40% from the total Community funds in 2009 (30,264.70 thousand lei) has been granted to cofinancing <i>de minimis</i> aids					



Annex 3

National State Aid structure by horizontal objectives

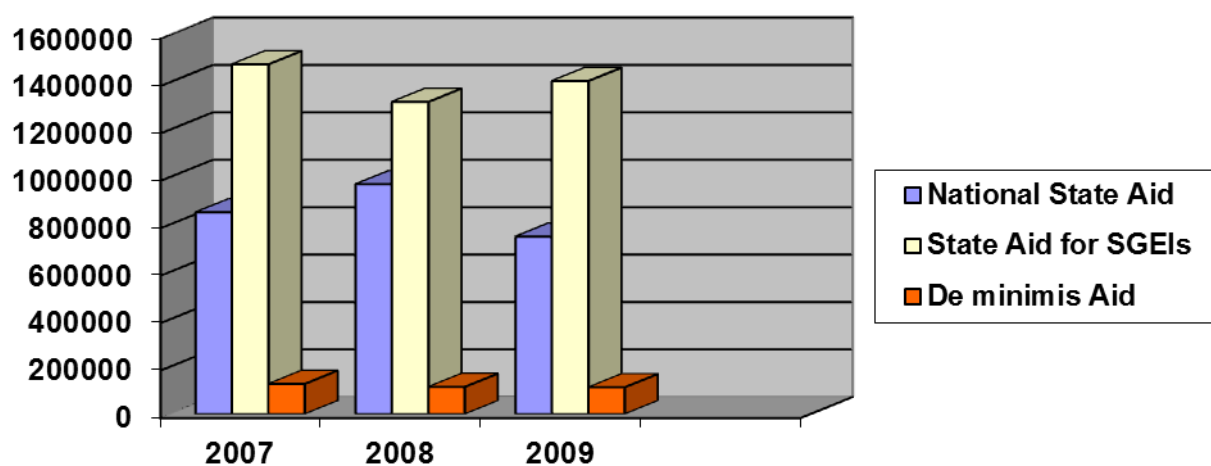
- % -

HORIZONTAL OBJECTIVES	2006	2007	2008	2009	
				State Budget	Community Funds
TOTAL, of which, for:	100.00	100.00	100.00	100.00	100.00
➤ Research-Development, Innovation	17.65	48.52	64.03	63.11	0.00
➤ Environment	6.42	11.89	14.98	10.75	0.00
➤ SMEs	11.45	0.14	0.01	8.19	100.00
➤ Rescue-restructuring	58.89	32.93	14.72	6.90	0.00
➤ Creating new jobs	0.59	0.43	0.45	0.06	0.00
➤ Other objectives	4.99	6.09	5.81	10.98	0.00

**Situation of the evolution
of State aid for SGEIs and of *de minimis* aid,
compared with
the evolution of National State Aid
(less agriculture, fisheries, transport, SGEIs, and *de minimis* aid)**

- thousand lei –

	2007	2008	2009
National State Aid <i>(less agriculture, fisheries, transport, SGEIs, and de minimis aid)</i>	851,108.65	969,339.39	748,683.28
State aid for SGEIs	1,474,969.46	1,316,670.78	1,404,901.15
De minimis aid	127,558.38	114,571.73	112,912.73



National State Aid structure, depending on the aid nature

	2006	2007	2008	2009
National State Aid (less agriculture, fisheries, transport, SGEIs, and de minimis aid) – Thousand Lei - Current prices:				
Total,				
Of which,	1,749,679.53	851,108.65	969,339.39	748,683.28
having the nature of:				
➤ Abandoning State incomes	559,395.97	127,071.31	49,476.79	8,437.33
Percentage in the NA * (%)	31.97	14.93	5.10	1.13
Of which:				
Exemptions from and reductions at payment of fiscal obligations	307,092.69	106,583.53	25,445.86	8,426.69
Percentage in the NA * (%)	17.55	12.52	2.63	1.13
Exemptions from and reductions at payment of delay increases	252,303.28	20,487.78	24,030.93	0.00
Percentage in the NA * (%)	14.42	2.41	2.48	0.00
➤ Budgetary expenditure	1,190,283.56	724,037.34	919,862.60	740,245.95
Percentage in the NA * (%)	68.03	85.07	94.90	98.87
Of which:				
Subsidies, grants, allowances, bonuses, subsidized interest, other non-refundable amounts	1,167,320.63	660,835.34	857,333.60	696,668.55
Percentage in the NA * (%)	66.72	77.64	88.45	93.05
State equity participation, debts conversion	22,882.00	63,202.00	62,529.00	43,577.40
Percentage in the NA * (%)	1.31	7.43	6.45	5.82
Budgetary loans	80.93	0.00	0.00	0.00
Percentage in the NA * (%)	0.005	0.00	0.00	0.00

* NA = National State aid (less agriculture, fisheries, transport, SGEIs, and de minimis aid)

