

# REPORT ON STATE AID GRANTED IN ROMANIA DURING THE PERIOD 2010 - 2012 (SUMMARY)

This report was aimed to ensure transparency in State aid field, and has been worked out on the basis of the reports received from all State aid grantors (central and local public authorities), as well as from the bodies administering State resources or resources of the local communities. With a view to enable a comprehensive analysis of the State aid evolution, as well as of the evolution of State aid beneficiary fields, these reports have been centralised on certain criteria, such as: activity sectors, State aid objectives, and the nature of granted measures.

Unlike the „State Aid Scoreboard”, published by the European Commission, the annual Report deals with State aids awarded in all economic sectors, **including the SGEIs sector, as well as *de minimis* aid granted to undertakings** within certain aid schemes.

The Report contains also information on State aid measures awarded under *the Temporary Framework within the economic-financial crisis context*.

In 2009 was registered the lowest value of the National State Aid (less agriculture, fisheries, transport, compensations for SGEIs, *de minimis* aid and State aid granted under *the Temporary Crisis Framework*; expressed in Lei, in 2009 constant prices, 2009 being considered the basis year) from the whole period following the accession (2007-2012). An increase of the National State Aid (“NSA”) has been registered since 2010.

The share of the NSA (National State Aid) in the GDP increased from 0.16% in 2010 to 0.45% in 2012. **This increase was due especially to the State Aid granted for environment protection and for producing energy from renewable sources and through co-generating processes.**

## State Aid identified at national level (Funds form the State Budget)

	2009	2010	2011	2012
<b>National State Aid (NSA) expressed in:</b>				
Thousand Lei, current prices (less agriculture, fisheries, transport, SGEIs*, <i>de minimis</i> aid, and State aid granted under the Temporary Framework)	757,828.77	820,593.80	1,595,173.69	2,667,711.50
Thousand Euro **	178,847.09	194,920.02	376,406.64	598,678.52
Thousand Lei, 2009 current prices***	757,828.77	767,342.29	1,450,157.90	2,313,713.36
Dynamics %	100.00	102.44	191.36	305.31
<b>Share of the National State Aid (NSA) (less agriculture, fisheries, transport, SGEIs*, <i>de minimis</i> aid, and State aid granted under the Temporary Framework) in the GDP %</b>	<b>0.15</b>	<b>0.16</b>	<b>0.29</b>	<b>0.45</b>
State Aid granted in the agriculture field – Thousand Lei	2,518,246.23	386,473.00	1,095,620.00	987,620.0
State Aid granted in the transport sector – Thousand Lei	2,376,400.14	2,473,905.47	2,776,069.89	2,243,530.75
State Aid granted in the SGEIs sector – Thousand Lei	1,435,069.97	1,330,796.79	1,487,613.16	740,526.15
<i>De Minimis</i> Aid – Thousand Lei	122,417.93	322,518.44	429,530.43	219,740.55

- \* SGEIS – Services of General Economic Interest;
- \*\* Calculated on the basis of the average annual exchange rate RON / EUR – Source: INSSE;
- \*\*\* In order to convert in 2009 constant prices, has been used the GDP deflator – Source: INSSE.

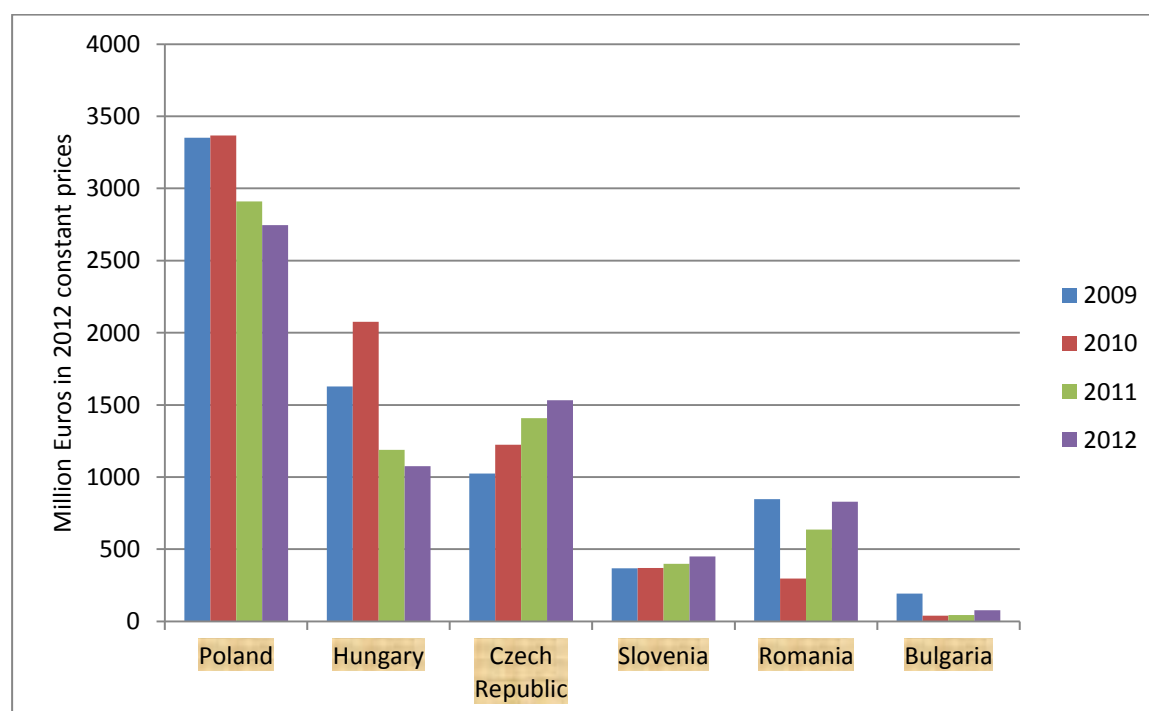
In 2012, Romania has awarded very reduced amounts of State aid, **by comparison with the other EU Member States (“MS”)**: the average value of State aids at the EU-27 level was, in 2012, of 2.5 billion Euros, while in Romania the granted State aid was three times lower than this average amount; State aid granted in Romania in 2012 represented 1.2% of the total State aids awarded at the entire EU level.

In 2012, State aids granted at the EU level (namely, “EU-27”), under the General Community Framework (non-crisis), amounted to **67.16 billion Euros**, representing **0.52%** of the Community GDP.

As a comparison, it should be mentioned – for example – that the aids awarded by France and Germany represented about 40% of the total State aid granted at the EU level. Moreover, it should be emphasised that our country stands on one of the last places among the MS having a real GDP per capita situated nearly the level registered in Romania (e.g. Poland, Hungary, Czech Republic) (Chart no. 1).

### Chart no. 1

#### State aid situation in Romania, compared to certain Member States



As resulted from the analysis of the National State Aid **by beneficiary fields**, in 2012 the highest weight was held by State aid for environmental protection (77.29%), this being followed by the share of the aid to coal industry (for the mines closure - 6.38%). The other aids (State aid granted for R&D&I, aids to SMEs, aids to media and culture) have held much smaller percentages in the total NSA, as a consequence of the sharp reduction of the budgets allocated by State aid suppliers for those aid schemes.

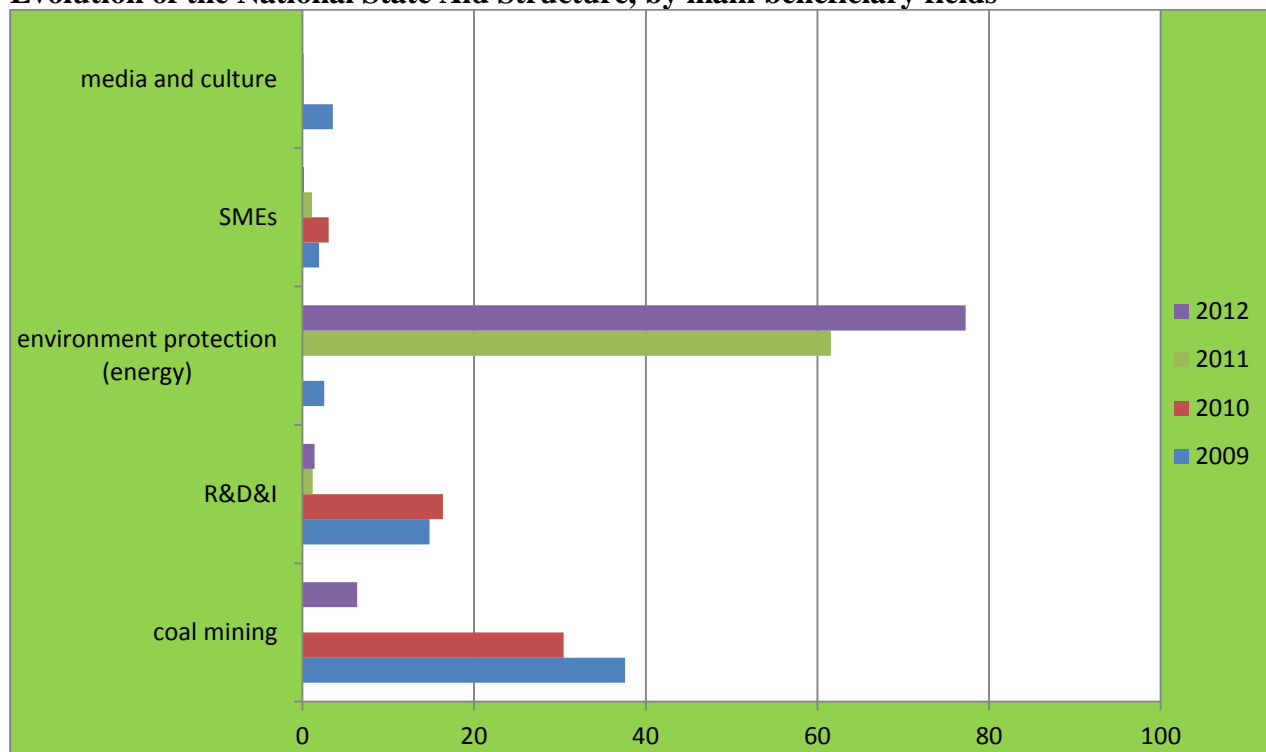
Aids for environmental protection registered a considerable increase, due to the implementation of two aid schemes, **namely „the support scheme for promoting high efficiency cogeneration based on the demand for useful thermal energy”, and „the support scheme on setting the promotion system for producing energy from renewable sources of energy”** (Chart no. 2).

The large share of aid awarded **to coal industry** was due to the ad-hoc State Aid authorized by the European Commission for closing the uncompetitive mines of pit coal within the National Pit Coal Company in Petrosani (namely, the mines in Petrila, in Paroşeni, and in Uricani).

In 2012, **the most important regional State aids** have been granted by the Ministry of Public Finance, the Environment Fund Administration, and the Ministry of the Economy, to the companies operating in manufacturing; among the most important beneficiaries (in terms of the amount of the received aid) were the following: SC Pirelli Tyres Romania SRL Slatina, SC Lufkin Industries Aricestii Rahtivani Prahova, SC Remar SA Pascani Iasi, SC Rombat SA Bistrita, SC Cord Romania Slatina, SC Romcarbon SA Buzau.

**Chart no. 2**

**Evolution of the National State Aid Structure, by main beneficiary fields\***



\* percentage of each beneficiary field in the Total National State Aid (less agriculture, fisheries, transport, SGEIs, *de minimis* aids, and State aid awarded under the Temporary Framework) - current prices.

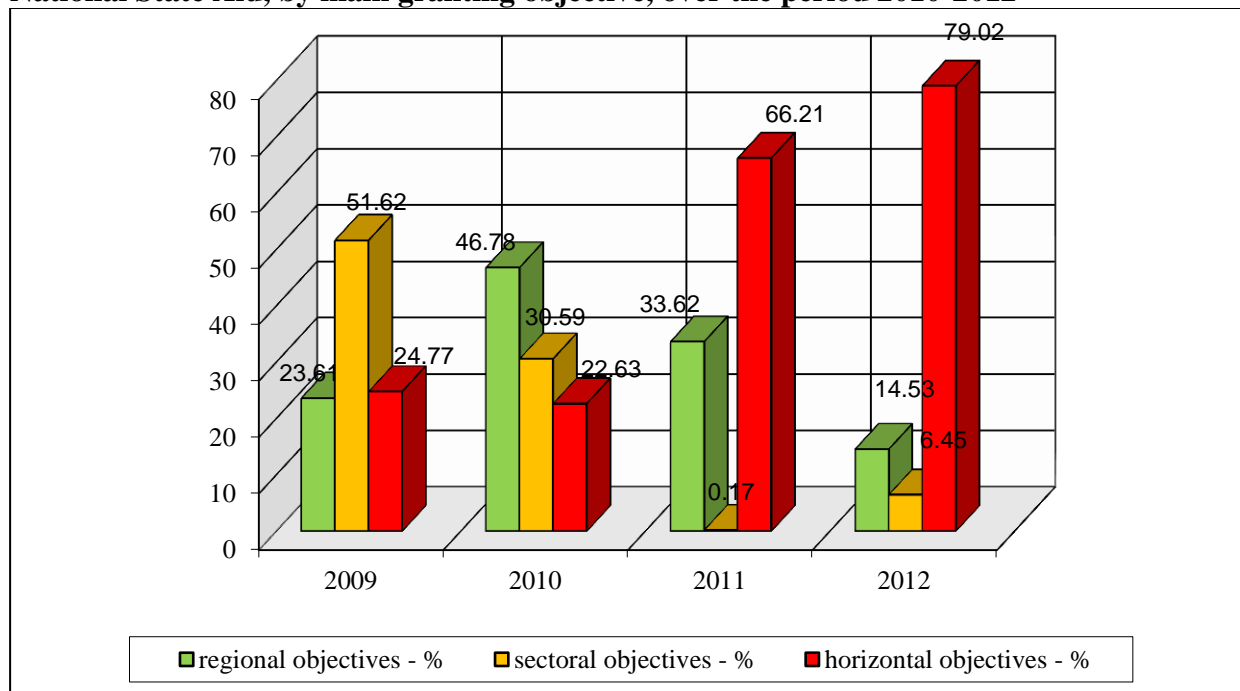
As concerns **the financial instruments (the granting tools)**, it should be emphasised that, in 2012, the share of State aid having a nature of „Budgetary expenditure” in the Total National State Aid was maintained at a high level, detrimental to the State aid having a nature of „Abandoning State incomes by the State”; over the period 2010-2012, the share of the budgetary expenditure was maintained near the threshold of 99.3% of the Total National state Aid.

Consequently, we might appreciate that the State aid suppliers have understood that the State aid with nature of „Abandoning State incomes by the State” are much less transparent than the amounts awarded directly to State aid beneficiaries, and much more harmful to the normal competitive environment.

From **the analysis on objectives** of the State Aid granted in Romania during the period 2010-2012, it resulted that the largest share in the Total National State Aid (less agriculture, fisheries, transport, SGEIs, and *de minimis* aids) was held by the State aids with horizontal objectives, together with those for regional development (Chart no. 3).

**Chart no. 3**

**National State Aid, by main granting objective, over the period 2010-2012\***



\* percentage of each main granting objective in the Total National State Aid (less agriculture, fisheries, transport, SGEIs, *de minimis* aids, and State aid awarded under the Temporary Framework) - current prices.

A detailed analysis of each objective had as result some findings, such as:

- ✚ over the period 2010 – 2012, the share of State aid awarded to **the sectoral objectives**, in the total granted State aids, has significantly decreased (from 30.59% in 2010, to 6.45% in 2012); this was due to the completion of the individual State aid for restructuring the National Pit Coal Company in Petrosani (in 2010); in 2012, have been awarded several State aids - for the closure of unprofitable mines within the above mentioned company, but their amount was less than the level of the period 2009-2010;
- ✚ during the analysed period, it was registered a decrease of **the regional State aid** percentage in the National State Aid (NSA), from 46.78% in 2010, to 14.53% in 2012; this tendency was explained through diminishing State aid awarded by the Environment Fund Administration, and through completing the payment for the individual State aid granted by the Ministry of Public Finance to the SC Ford Romania SA;

✚ The European Commission encourages Member States to promote State aids granted for **horizontal objectives**, these aids being considered as less harmful to the competition environment; the year 2012 has registered a spectacular increase of such aids, which have reached a high level of the percentage in the total National State Aid (79.02%); this was due, in particular, to State aid for environmental protection (producing energy from renewable energy sources).

Most of State aids granted to companies which were performing **the SGEIs (Services of General Economic Interest)** were represented by the State aid awarded for **offsetting the service of producing, transporting, distributing and supplying thermal energy** to the public, in a centralised system (from the State budget, as well as from the local budgets), as well as by the aids granted to the autonomous administrations of the airports.

Subsidies awarded by the local public authorities to enterprises operating in the sector of thermal energy production and distribution represent the most important State aids granted for performing the SGEIs; in 2012, the largest amounts have been awarded - under *the Order no. 252/2009* of the Minister of Administration and Interior - by the State aid grantors at the public local administration level (namely, an amount of 586.95 Mil. Lei).

As for **the Community Funds**, these have been accessed since 2009, through State aid schemes, as well as through *de minimis* aids schemes. Within the Sectoral Operational Programs, have been awarded State aid in the form of grants, both from the State Budget and from the European Funding (namely, from the European Fund for Regional Development (EFRD), from the European Social Fund (ESF), and from the European Agricultural Fund for Rural Development (EAFRD).

#### **Value and Structure of State aid granted under the schemes cofinanced from Community Funds**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Total State aid awarded from Community Funds (Mil. LEI)</b>	<b>517.26</b>	<b>1,325.58</b>	<b>1,484.69</b>
<b>Mil. EUR</b>	<b>122.86</b>	<b>312.79</b>	<b>333.18</b>
<b>of which:</b>			
<b>Horizontal Objectives (%)</b> , of which:	<b>21.50</b>	<b>8.03</b>	<b>4.92</b>
Research, Development, Innovation R&D&I (%)	0.70	1.11	1.61
Small and Medium Enterprises SMEs (%)	19.39	5.38	1.75
Employment (%)	0.01	0.17	0.34
Training (%)	1.39	1.38	1.23
<b>Regional Objectives (%)</b>	<b>38.52</b>	<b>49.97</b>	<b>44.19</b>
<b><i>De minimis</i> Aid (%)</b>	<b>39.98</b>	<b>42.01</b>	<b>50.89</b>

Over the period 2010-2012, the amount of State aid from European funds has tripled (from 122.88 Mil. EUR, in 2010, increased to 333.18 Mil. EUR, in 2012).

State aids coming from the Community Funds have been granted only in the form of „grants”, and the most important amounts were registered under the schemes for *de minimis* aid; the most important schemes were aimed at the following objectives: **developing micro-business; developing regional and local business environment; supporting the economic activities for diversifying the rural economy and for improving the quality of life in rural areas, including for implementing the JEREMIE initiative in Romania.**

In **the transport sector**, a slight decrease has been registered in 2012, as compared to the level in 2011 (from 2,776,069 thousand Lei in 2011, down to 2,243,530 thousand Lei in 2012). As for the distribution of State aid on sub-branches, it should be emphasized that, during the analysed period, **the grant awarded to the “passenger transport by rail”** has continued to hold over 50% of total aid intended to this sector, although its value has steadily declined (from year to year).

A decrease of the State aid amount in 2012, by comparison to the level in 2011, has been registered also **in the agriculture** (from 1,095.6 Mil. Lei in 2011, decreased to 987.6 Mil. Lei in 2012).

Important amounts of State aid have been awarded by the Ministry of Agriculture and Rural Development, **in accordance with the common agricultural policy** established at Community level, for the livestock sector, and in the mechanization field.

Another important aspect to be mentioned is that, over the analysed period, the Ministry of Public Finance has completed the State aid scheme established by ***the Government Decision no. 1164 / 2007 on granting de minimis aids for developing or modernising enterprises***; this scheme for *de minimis aid* had a major impact on the SMEs, in 2009-2011, through the total amount of about 369.4 Mil. Lei, which has been awarded to a number of 816 beneficiaries (SMEs); the completion of this *de minimis scheme* had as effect reducing the level of **the de minimis aids** granted from the State Budget.

In 2012, the most important *de minimis* measures have been granted by the Ministry of Agriculture and Rural Development, through ***the Order no. 567 / 2008 for the approval of De Minimis Scheme „Supporting the economic activities for diversifying the rural economy and for improving the quality of life in rural areas”***; over the period 2010-2012, have been awarded grants for the sustainable developing of rural economy, to a number of 1688 enterprises, from the State Budget (amounting 170.2 Mil. Lei), as well as from the European Agricultural Fund for Rural Development (about 680.6 Mil. Lei).

#### **The temporary measures established within the Community Framework for supporting the access to funding, in the context of the economic-financial crisis, for the period 2009-2012**

Over the period 2009-2012, from the total amount authorized by the European Commission at the Community level (EUR 82.9 billion), the Member States have granted - under the Temporary Framework - State Aids amounting EUR 35.7 billion.

The most important State aids have been awarded by the following MS: Germany (EUR 17.7 billion), France (EUR 6.2 billion), Austria (EUR 1.8 billion), Slovenia (EUR 1.5 billion), and Sweden (EUR 1.1 billion).

So far, Romania has obtained, from the European Commission, the authorization for a number of 4 State aid measures, initiated under the Temporary Community Framework; one of such measures was for the agricultural sector. In 2010, have been granted State aids to combat the crisis, namely the State aid scheme consisting of loan guarantees for the investment, managed by Eximbank SA, as well as the individual aid awarded to SC Ford Romania SA.

**Measures granted under the Temporary Crisis Framework have been valid until the end of the year 2011. The banking sector in Romania has not benefited from state aid.**