



**Report on state aids granted in Romania
between 2006 and 2008
= summary =**

The present Report illustrates a situation of the level, structure and tendencies registered in granting state aids in our country between 2006 and 2008, thus being the 10th Report elaborated by Romania and the third since our accession to the European Union.

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

Thus, the Report is a document 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 state aid grantors – central and local public authorities – as well as entities which administrate state sources or sources from local collectivities, approximately 250 grantors, their reports being centralized upon sectors of activity, state aid objectives and nature of the measures granted.

The information sent comprehends a period of 3 years, respectively the year of reporting 2008 and the two previous years – 2006 and 2007 – in order to update the previous data.

The analysis of the information and data regarding state aids granted between 2006 and 2008 was made on the following **chapters** and structure:

1. General considerations;
2. National state aid;
3. State aid granted to the manufacturing industry;
4. State aid granted to the extractive industry;
5. State aid granted to companies for services of general economic interest;
6. State aid granted for the labor force;
7. State aid granted for financial services, tourism, media and culture;
8. Regional state aid;
9. *De minimis* aid;
10. State aid granted to the transport sector;
11. State aid granted to agriculture and fishery;
12. Conclusions.

To assure the comparability of the data contained in the Report with the data contained in the European Commission's Scoreboard, the aids granted not only to the sectors of transport, agriculture and fishery, but also those for services of general economic interest and the *de minimis* aids were illustrated separately.

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

2. The analysis of the evolution of state aids granted in Romania between 2006 and 2008 is based, first of all, on the annual total volume and furthermore, on two other aspects, respectively the objectives which were taken into consideration when the aids were initially granted and the instruments which were used in granting them.

A. The total National State Aid (excepting agriculture, fishery, transports, SGEIs and *de minimis* aids) **expressed in current prices, presents a decreasing general trend, from 1,749 billion Lei in 2006 to 0,947 billion Lei in 2008, with a steep decrease of 0,845 billion Lei in 2007.**

As weight in the GDP, the National State Aid had a continuous decreasing tendency, from 0,51% in 2006 to 0,20% in 2007 and 0,19% in 2008 (Annex 1).

The decrease of the national state aid between 2006 and 2008 is owed, mainly, **to the considerable reduction of the aids granted for the rescuing and restructuring of undertakings in distress.**

B. Regarding the analysis based on objectives of the state aids granted in Romania between 2006 and 2008 (Annex 2), it can be seen that in 2008, the largest weight in the total national state aid (excepting agriculture, fishery, transports, SGEIs and *de minimis* aids) was held by state aids having **horizontal objectives**, respectively 44,82%, this value being also close to the one registered in 2007.

The following aids have horizontal objectives (Annex 3) and are considered to be less harmful from a competitive point of view: aids for research and development, environmental protection, SMEs, salvation and restructuring, fighting against unemployment, professional training.

The decreasing general tendency, registered by the aids having horizontal objectives, between 2006 and 2008, is motivated by the reduction of the aids for rescuing and restructuring granted to undertakings which were in distress at the moment of the privatization, especially until the accession of Romania to the European Union.

The largest share within this category of state aids is being held by aids granted for research, development and innovation, respectively 56,13% out of the total state aids having horizontal objectives, thus being in line with the recommendations of the European Union.

If in 2007 these aids were accountable for 17,61% of the total national state aid (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids), in 2008 the weight reached a value of 25,15%, while at the European Union level (EU-27) research-development was accountable in 2007 for just 15% of the total state aid (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids)¹.

The European Commission encourages the promotion of state aid schemes which lead to the improvement of research, development and innovation, objective also stipulated in the new European economical strategy for the next 10 years, “Europe 2020”, adopted by the European Council.

The sector-specific aids (Annex 3) granted in 2008 have recorded a slight decrease compared to 2007, recording a weight in the national state aid (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids) of 38,90%, compared to 46,91% in 2007, a low level being recorded in 2006 as well, respectively 22,45%, thus being in line with the recommendations stipulated in the Action Plan within the state aid field adopted by the European Commission in the year 2005.

In 2007 and in 2008 as well, the largest share within the sector-specific aids was held by aids granted to the **coal sector**, while other sensitive sectors have not been granted any more aids.

The higher values from 2007 are justified by the state aid granted to the National Company of Coal Petrosani under the form of direct subsidies destined to cover the costs related to the current production and under the form of subsidies destined to cover the social expenses, aid authorized by the European Commission.

Taken into consideration the importance of regional policy, the fact that at a European level it is intended to diminish the existing regional unbalances by stimulating a balanced development, revitalizing deprived areas, preventing the creation of new unbalances, stimulating the interregional cooperation and creating new work places, **the regional aids** granted in Romania were treated separately in chapter 8 in the Report.

The situation of the regional aids granted in Romania between 2006 and 2008 (Annex 2) shows the decreasing tendency of their share in the total national state aid (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids), from 6,38% in 2005 to 5,77% in 2006, tendency largely owed to the reduction of fiscal facilities, followed by a growth between 2007 and 2008, from 7,99% in 2007 to 16,28% in 2008.

This growth is determined by the new state aid schemes aimed at regional development, initiated at the beginning of 2007 that will change the structure of the existing regional aids in Romania regarding their nature, due to the fact of them being subsidies as form of granting.

¹ Data taken from the European Commission’s Scoreboard – autumn edition, 2008

Thus, in 2007, a number of 11 state aid schemes exempted from notification and having as objective regional development, were set up. Out of these schemes, 10 of them were aimed at making investments in order to prevent, reduce and control pollution, manage wastes, purge water, etc. and the final scheme was aimed at investing in industrial parks.

In 2008, a number of 10 state aid schemes having as objective regional development were initiated, out of which 9 were exempted from notification by the European Commission, being initiated in order to support investments, to create and develop structures of supporting businesses, etc. The 10th state aid scheme was notified to the European Commission, being authorized² and having as objective the promotion of regional development in Romania, offering the possibility of accomplishing large investment projects, thus being in line with the Guidelines regarding regional state aids³.

The services of general economic interest occupy a distinctive place in the structure of the present report, thus being largely discussed upon in chapter 5.

Between 2006 and 2008, the volume of state aids granted to the services of general economic interest has constantly dropped, although, their value for the past 2 years was higher than the national state aid itself (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids), respectively 1,74 times higher in 2007 and 1,38 times higher in 2008 (Annex 4).

The vast majority of these aids were granted as subsidies for compensating costs recorded when operating services in the making and delivering of the thermal agent and warm water to the population. The average weight of these aids in the total volume of state aids granted to services of general economic interest between 2006 and 2008 was approx. 96%.

At the same time, the Report of state aids granted in Romania between 2006 and 2008 treats distinctively the supporting measures having the form of ***de minimis* aids** (Annex 4).

Beginning with the 1st of January 2007, in Romania, all *de minimis* schemes and individual aids are being granted according to the provisions of the European Commission Regulation no. 1998/2006 regarding the application of articles 87 and 88 of the Treaty to the *de minimis* aids, thus not being subject to the obligation of notification to the European Commission.

The *de minimis* aids granted between 2006 and 2008 were largely orientated towards developing the small and medium enterprises, sustaining the newly created companies in facing the competition on the common market, employing the labor force within the unemployed, protecting the environment, promoting commerce, etc.

The *de minimis* aids granted for the creation of new working places, according to the provisions of Law no. 76/2002 on the unemployment insurance system and on the stimulation of employing the labor force (with the subsequent amendments and completions) have

² State aid N 103/2008 Regional development through direct investments

³ Guidelines regarding regional state aids for the period of time between 2007 and 2013, JO C 54/2006

registered a significant growth in the year 2008, reaching a weight in the total *de minimis* aids of 13.59% compared to a weight of 0% in 2006.

The *de minimis* aids granted for promoting commerce have recorded in 2008 an ascending trend (up to 30,04%), after the sudden decrease registered in 2007, respectively from a weight in the total *de minimis* aids of 75,90% in 2006 to 19,80% in 2007. Instead, the aids granted for SMEs have recorded a serious downfall in 2008, reaching a weight in the total *de minimis* aids of 33,62%, compared to the one of 61,33% in 2007.

C. Regarding the distribution of the national state aid among the financial tools used (Annex 5), its structure is the following:

- **96,60% “Budgetary expenses”** in 2008, which consists in 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, transport, SGEIs and *de minimis* aids) recorded an ascending tendency in the analyzed period of time (from 68,03% in 2006 and 85,61% in 2007).
- **3,40% “Revenues renouncement”** in 2008, which consists in exemptions and allowances for the payment of fiscal obligations to the state, exemptions and allowances from paying the supplementary charges for the delay of payment, state guarantees; the weight of the revenues renouncement in the national state aid (excepting agriculture, fishery, transport, SGEIs and *de minimis* aids) has recorded a descending trend between 2006 and 2008 (from 31,97% in 2006 and 14,39% in 2007).

This situation is in line with the demands of the European Commission of reducing the fiscal state aids, because these aids could affect the trade within the community.

The descending trend of the fiscal aids reflects, at the same time, the correct application of the *acquis communautaire*, Romania aligning itself completely to the community policies within the state aid field.

*

* *

The interpretation of the data contained by this Report provides a general overview of the evolution of different state aids, of the sectors of activity which required support, signaling at the same time, the objectives that have to be approached in the future in order for Romania to align itself to the strategy adopted by the European Union through the Lisbon Agenda 2000 and subsequently, through the “Europe 2020” strategy.

Romania’s alignment to the community policies and practices within the state aid field was possible through the elaboration of policies targeted to granting less distorted and better

orientated aids, an effective and efficient control of state aids and the implementation of the community legislation within the state aid field as far back as the pre-accession period.

The application, prior to the accession, of the *acquis communautaire* in the fields of competition and state aid was necessary in order for the Romanian companies to adapt themselves to the new set of rules and for them to be prepared to cope with the competition forces on the Single European Market.

The adaptation to the Single European Market has intensified beginning with the 1st of January 2007, along with Romania's accession to the European Union, date when community rules began to apply directly in the state aid field.

The results of this intense process of adapting to the Single Market didn't fail to show up. Thus, **the years 2006, 2007 and 2008 are characterized by 2 features:**

- **the reduction of the national state aid as weight in the GDP and**
- **the diminishment of the state aids in the form of fiscal facilities which were likely to distort competition and affect trade between Romania and the Member States.**

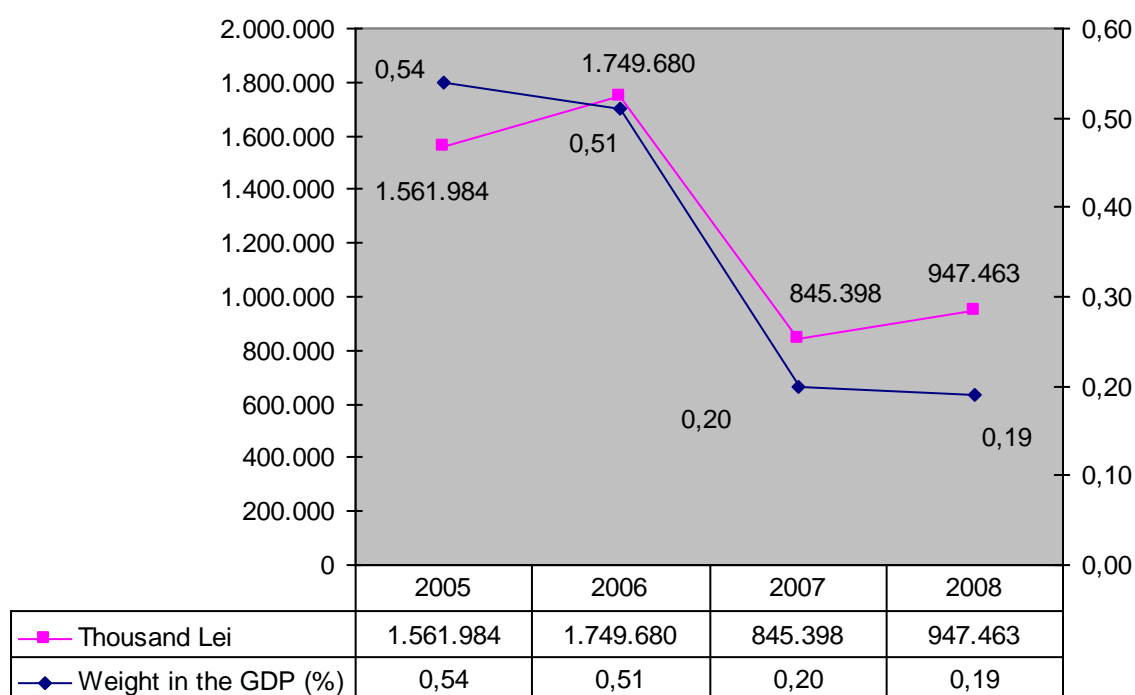
Romania's progression in this field is owed, on the one hand, to the fact that the importance of respecting the rules at a European level has been taken into awareness and, on the other hand, to the alignment of the policy of granting state aids to the objectives of the Lisbon Strategy, elaborated by the European Commission.

National State Aid

	2005	2006	2007	2008
National state aid expressed in:				
Thousand Lei current prices (excepting agriculture, fishery, transports, SGEIs* and <i>de minimis</i> aids)	1.561.984,17	1.749.679,53	845.398,98	947.463,17
Thousand Euros **	431.077,93	496.433,40	253.318,25	257.274,06
The weight of the national state aid in the GDP% (excepting agriculture, fishery, transports, SGEIs and <i>de minimis</i> aids)	0,54	0,51	0,20	0,19

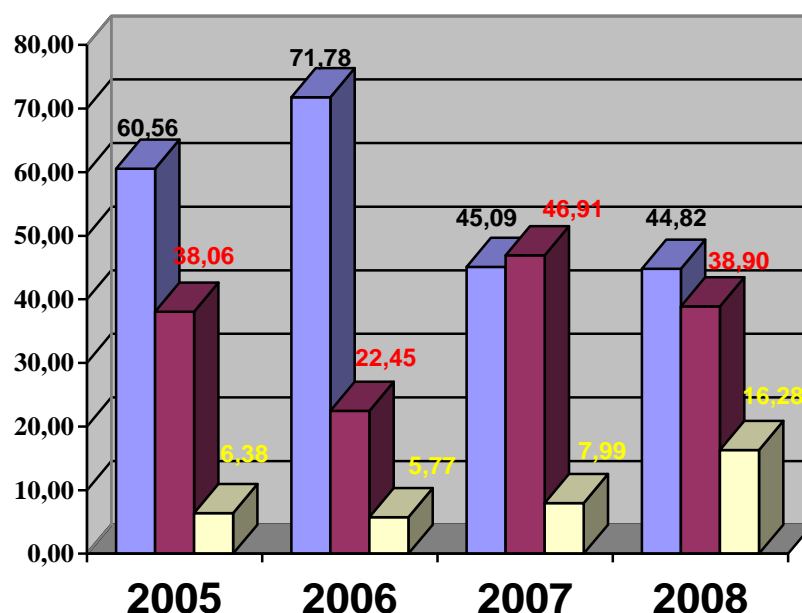
* SGEI – Services of general economic interest

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



**The level and structure of the national state aid
by objectives between 2006 and 2008**

	2005	2006	2007	2008
National state aid (excepting agriculture, fishery, transports, SGEIs and <i>de minimis</i> aids), expressed in:				
Thousand Lei current prices	1.561.984,17	1.749.679,53	845.398,98	947.463,17
Thousand Euros current prices	431.077,93	496.433,40	253.318,40	257.274,06
out of which for:				
> horizontal objectives				
Thousand Lei current prices	946.002,14	1.255.859,26	381.228,08	424.638,65
Thousand Euros current prices	261.078,61	356.322,67	114.232,49	115.306,34
weight in total state aid %	60,56	71,78	45,09	44,82
> sector-specific objectives (excepting the transport sector)				
Thousand Lei current prices	516.337,13	392.872,49	396.589,06	368.598,90
Thousand Euros current prices	142.499,23	111.469,00	118.835,30	100.089,31
weight in total state aid %	33,06	22,45	46,91	38,90
> regional objectives				
Thousand Lei current prices	99.644,90	100.947,78	67.581,84	154.225,62
Thousand Euros current prices	27.500,10	28.641,73	20.250,45	41.878,41
weight in total state aid %	6,38	5,77	7,99	16,28



■ Horizontal objectives
 ■ Sector specific objectives
 ■ Regional objectives

Annex 3

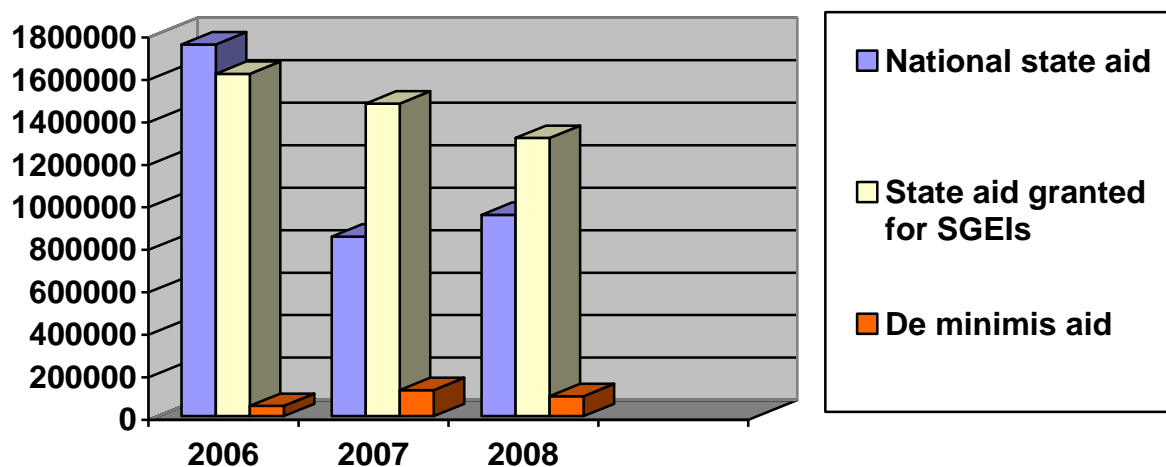
The structure of the national state aid on horizontal objectives

Horizontal objectives	2005	2006	2007	2008
TOTAL , out of which for:	100,00	100,00	100,00	100,00
➤ research-development, innovation	5,81	8,77	39,05	56,13
➤ environment	3,06	3,19	9,57	13,13
➤ small and medium enterprises	3,77	5,69	0,11	0,01
➤ rescuing-restructuring	26,13	29,28	28,76	10,65
➤ creating work places	0,89	0,29	0,30	0,36
➤ other objectives	60,34	52,77	22,21	19,72

Annex 4

Comparative situation between state aids granted to SGEIs and *de minimis* aids in relation to the national state aid

	2006	2007	2008
National state aid (excepting agriculture, fishery, transports, SGEIs and <i>de minimis</i> aids)	1.749.679,53	845.398,98	947.463,17
State aid granted for SGEIs	1.611.225,03	1.471.507,27	1.309.279,66
<i>De minimis</i> aid	47.630,95	122.204,08	93.453,59



The structure of the national state aid by its nature

	2005	2006	2007	2008
NATIONAL STATE AID – Thousand Lei current prices (excepting agriculture, fishery, transports, SGEIs and <i>de minimis</i> aids)				
TOTAL, out of which:	1.561.984,17	1.749.679,53	845.398,98	947.463,17
➤ Revenues renouncement	606.009,90	559.395,97	121.620,36	32.194,31
Weight in NA* (%)	38,80	31,97	14,39	3,40
out of which:				
• Exemptions and allowances from fiscal obligations payment	441.484,89	307.092,69	94.286,47	17.564,08
Weight in NA* (%)	28,26	17,55	11,15	1,85
• Exemptions and allowances from paying the supplementary charges for the delay of payment	164.525,01	252.303,28	27.333,89	14.630,23
Weight in NA* (%)	10,53	14,42	3,23	1,54
➤ Budgetary expenses	955.974,27	1.190.283,56	723.778,62	915.268,86
Weight in NA* (%)	61,20	68,03	85,61	96,60
out of which:				
• Subsidies, grants, bonuses, subsidized interests, other non-refundable amounts	889.843,63	1.167.320,63	660.576,62	852.739,86
Weight in NA* (%)	56,97	66,72	78,14	90,00
• Equity participation, debt conversions	65.754,69	22.882,00	63.202,00	62.529,00
Weight in NA* (%)	4,21	1,31	7,48	6,60
• Budgetary credits	375,95	80,93	0,00	0,00
Weight in NA* (%)	0,02	0,005	0,00	0,00

* NA = national state aid (excepting agriculture, fishery, transports, SGEIs and *de minimis* aids)

Annex 5 (Continuation)

