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State Aid Scoreboard

autumn 2002 update

Special edition on the candidate countries

(presented by the Commission)

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Ten Candidate countries set to join the EU in 2004

The conclusions of the Brussels European Council in October 2002 confirm the European Union's determination to conclude accession negotiations with ten Candidate countries at the European Council in Copenhagen on 12-13 December 2002 and to sign the Accession Treaty in Athens in April 2003. In its recent Strategy Paper and Report[1], the Commission sets out the progress towards accession by each of the candidate countries.

EU competition policy, including State aid control, is a key component of the enlargement process

Before accession, Candidate countries must demonstrate the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. In assessing whether the Candidate countries can comply with the competition acquis and withstand the competitive pressures of the internal market resulting from the full application of this acquis, the Commission has examined whether undertakings operating in the Candidate countries are accustomed to operating in an environment such as that of the Community. More specifically in the area of State aid, all twelve Candidate countries have in recent years established State aid monitoring authorities. These authorities have screened awards of State resources to determine whether or not they constitute State aid as defined under Article 87 of the Treaty and whether they are compatible with the common market. Where identified State aid measures are deemed to be incompatible with the EU acquis, Candidate countries must either abolish these measures or gradually phase them out.

Just under €5 billion of State aid awarded by Candidate countries in 2000

In the year 2000, the twelve Candidate countries awarded State aid[2] worth an estimated €4.8 billion. This compares with €70 billion awarded in the fifteen EU Member States. In absolute terms, Poland (€1.87 billion), Hungary, Czech Republic and Romania awarded the most aid. Together, they accounted for more than 85% of total aid in the Candidate countries.

Compared with the EU average, the Candidate countries tended to grant more aid as a percentage of their GDP but less in per capita terms

State aid granted by the Candidate countries represented on average 1.3% of Gross Domestic Product compared with the EU average of 0.8%. However, this average masks considerable differences between the countries ranging from around 0.5% or less in Estonia and the Slovak Republic up to 1.7% in Hungary and 1.9% in Romania.

When aid is expressed in per capita terms, however, the picture changes considerably. Even if purchasing power standards (PPS) are used - thereby taking account of differences in price levels between countries - the Candidate countries tended to spend less aid than the EU Member States in the year 2000: 105 PPS per person against the EU average of 185

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[1] 'Towards the Enlarged Union'. COM(2002) 700 final of 9 October 2002
[2] Total aid less agriculture and fisheries

PPS per person. The ranking of the Candidate countries also changes: for example, Romania which reported the highest level of aid as a percentage of GDP is ranked 6th in terms of aid per capita (PPS).

Sectoral distribution of aid varies considerably among Candidate countries

In the year 2000, an estimated 46% of State aid in the Candidate countries was granted to the manufacturing sector, compared with an EU average of 35%. The share of total aid directed towards the transport sector, mostly to the railway network, was 22% as against a Community average of 46%. The coal sector received 12%, around 10% was non-sector-specific aid for employment objectives while the rest was split between the non-manufacturing sector and services other than transport. There are significant differences between the Candidate countries in the sectors to which they directed aid. The share of aid to the manufacturing sector ranged from 10% or less in Estonia and Lithuania to more than 50% in Cyprus, Hungary, Romania and the Slovak Republic. Aid to the transport sector accounted for around 10% of overall aid in Cyprus and Poland while in Estonia, it represented more than 80%.

In contrast to the EU average, several Candidate countries tended to award aid through tax exemptions rather than grants

For the Candidate countries as a whole, tax exemptions accounted for a larger share of total aid than grants: around 50 % of total aid to the manufacturing sector was awarded through tax exemptions compared with an EU average of 29% while aid in the form of grants made up 25% of the total, against an EU average of 62%.

INTRODUCTION

The European Council in Copenhagen in June 1993 decided that accession to the European Union would take place as soon as a country was able to assume the obligations of membership by satisfying the economic and political conditions. The existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union constitute requirements for membership. As EU competition policy, including State aid control, plays a key role in creating a well-functioning economy, effective application and enforcement of such a policy is therefore a crucial component of the enlargement process.

The accession negotiations, which began in 1998, determine the conditions under which each applicant country will join the European Union. The Union is currently engaged in negotiations with twelve Candidate countries. The negotiations on competition policy have seen significant progress in legislative approximation and in the setting up of a competition discipline in all Candidate countries. As of October 2002, the competition chapter had been provisionally closed in the negotiations with eight countries.

Accession negotiations have clearly contributed towards creating more transparency in the field of State aid in the Candidate countries. In recent years, all twelve Candidate countries have established State aid monitoring authorities. These authorities have screened awards of State resources to determine whether or not they constitute State aid as defined under Article 87 of the Treaty and whether they are compatible with the common market. Where identified State aid measures are deemed to be incompatible with the EU acquis, Candidate countries must either abolish these measures or gradually phase them out.

This update of the State Aid Scoreboard is a first attempt to present the state aid situation in the twelve Candidate countries for the year 2000. It draws on material provided by each candidate country early in 2002 in the context of an inventory and data gathering exercise as well as the annual reports on State aid transmitted by the candidate countries in accordance with their transparency obligations laid down in the Europe Agreements.

While every effort has been made to allow comparability of the data between the Candidate countries, there are a number of reasons why caution should be exercised, including the relatively short period during which the Commission has been monitoring the situation in the Candidate countries, the existence of language difficulties which make it more difficult to monitor the press, and the lack of awareness among citizens and companies in these countries of the concept of State aid control. Moreover, as this is the first exercise of its kind, there are inevitably problems of interpretation regarding the precise concept of aid and the classification of aid schemes. As a result, information on State aid in the Candidate countries may not be as complete as it is in the present Member States.

Disparities between countries may also be explained by the degree to which each Candidate country has adapted to a competition discipline by adopting national legislation, based on the Community acquis, and setting up State aid monitoring authorities charged with enforcing the rules. The timing of these and other developments is also important to bear in mind, particularly given that the data in this Scoreboard refer to the year 2000. For example, significant changes in the State aid field have taken place in many of the Candidate countries since this time. Furthermore, State aid levels have also tended to fluctuate considerably around this time, e.g., a number of countries awarded much larger volumes of aid in 1998 and 1999, often in the context of restructuring or privatisation of national industries.

In spite of these limitations, the Scoreboard does give an important insight into the overall level of State aid in the candidate countries and the areas to which aid is directed. The Scoreboard is divided into three main sections. The first part provides some general background information on enlargement and in particular negotiations on the competition chapter. The second part attempts, with all the necessary caveats, to compare the candidate countries with one other and also vis-à-vis the EU average. It looks at the overall level of aid, the sectors to which aid is directed and the use of various aid instruments in the manufacturing sector. Finally, part three includes a two-page profile outlining the state aid situation for each candidate country.

For the future, the Commission intends to work closely with the Candidate countries to raise awareness of the need to control State aid and to improve the quality and comparability of the data. This will allow the Candidate countries to be fully integrated into future updates of the Scoreboard.

Candidate countries were not required to report aid expenditure for the agricultural and fisheries sectors, which are covered by other chapters in the Europe Agreements.

PART ONE: THE ENLARGEMENT PROCESS

1.1 Introduction

The European Union is currently engaged in accession negotiations with twelve Candidate countries. Following the Luxembourg European Council of December 1997, accession negotiations were opened with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. Following the Helsinki European Council of December 1999, accession negotiations were also opened with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovak Republic. While the Helsinki European Council recognised Turkey as a Candidate country, the conditions for starting accession negotiations have not yet been achieved.

The European Union reconfirmed its commitment at the Laeken European Council in 2001 to bring the accession negotiations with the candidate countries that are ready to a successful conclusion by the end of 2002, so that those countries can take part in the European Parliament elections in 2004 as members. The conclusions of the Brussels European Council on 24-25 October 2002 confirmed the European Union's determination to conclude accession negotiations at the European Council in Copenhagen on 12-13 December 2002 and to sign the Accession Treaty in Athens in April 2003. In the Commission's Progress Report[1] published on 9 October 2002, a recommendation was made to conclude the negotiations with ten countries: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.

1.2 The competition dimension of the enlargement process

1.2.1 Pre-accession Strategy leading to the Europe Agreements

The introduction of market economies in Central and Eastern Europe led the European Union to review during the nineties its trading relations with the CEECs, and to conclude free trade agreements with them. The principal instrument was the Europe Agreement, which provided a new framework for trade and related matters between the Union and each CEEC. Association Agreements are also in force with the two other candidate countries, Cyprus and Malta. Under the Agreements, the partner countries commit themselves to approximating their legislation to that of the European Union, particularly in the areas relevant to the internal market. The Agreements[3] therefore contain the main substantive competition rules which apply in areas where trade between the EU and a CEEC is affected. The Agreements stipulate that any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods is deemed to be incompatible with the proper functioning of the Agreement, in so far as it may affect trade between the EU and a CEEC. The Europe Agreement makes it clear that these rules are to be interpreted in accordance with the criteria arising from the application of Article 87 of the Treaty.

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[3] The Agreement with Malta does not contain provisions on competition similar to those in the other agreements.

1.2.2 Accession negotiations

The accession negotiations, which began in 1998, determine the conditions under which each applicant country will join the European Union. On joining the Union, applicants are expected to accept the "*acquis*", i.e. the detailed laws and rules adopted on the basis of the EU Treaty. The negotiations focus on the terms under which the applicants will adopt, implement and enforce the *acquis*, and, as the case may be, the granting of possible transitional arrangements which must be limited in scope and duration. In practice, the negotiations have been sub-divided into 31 chapters. Chapter 6 concerns competition policy. The negotiations on the competition chapter started in 1998 with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia and in 2000 with Latvia, Lithuania, Malta, Romania and Slovak Republic. The competition negotiations with Bulgaria were opened in March 2001.

1.2.3 The requirements for closure of the competition chapter

The requirements for the provisional closure of the competition chapter are derived from the conclusions of the Copenhagen European Council in 1993. At Copenhagen, the European Council defined the criteria which applicants have to meet before they can join the EU. In the economic sphere, these criteria require the existence of a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the European Union. Competition negotiations have taken place in the context of this ‘economic criterion’. In this framework, the EU has consistently taken the view that the Candidate countries can be regarded as being ready for accession only if their companies and public authorities have become accustomed to a competition discipline similar to that of the Community well before the date of accession. This is necessary to ensure that the economic actors in the Candidate countries are able to withstand the competitive pressures of the internal market.

Consequently, the requirement of adapting to a competition discipline well before accession stems both from the need to preserve the internal market discipline after enlargement, and from the difficulties that would arise in Candidate countries if they were faced with the application of the *acquis* from one day to the next. In order to avoid such difficulties, a thorough pre-accession preparation is essential. Companies (including public undertakings) need to adjust to operating in accordance with antitrust rules and without distortive forms of State aid, the authorities and the judiciary need to grow accustomed to applying and enforcing these rules, and public bodies involved in the granting of aid have to get used to State aid discipline, including *ex ante* notification procedures. In this respect, the Lisbon strategy of ‘less and better aid’[4] in order to increase competitiveness is an important instrument for the Candidate countries.

In translating these principles into concrete requirements, the EU put forward three elements that must be in place in a Candidate country before the competition negotiations can be provisionally closed:

[4] The Lisbon European Council Conclusions of March 2000 called on Member States to “…reduce the general level of State aids, shifting the emphasis from supporting individual companies or sectors towards tackling horizontal objectives of Community interest, such as employment, regional development, environment and training or research.”

(1) the necessary legislative framework with respect to antitrust and State aid;

(2) an adequate administrative capacity (in particular, a well-functioning competition authority); and

(3) a credible enforcement record of the acquis in all areas of competition policy.

To evaluate whether these requirements are met, the Commission has carried out an in-depth assessment, including the examination of cases that the competition offices of the Candidate countries have handled, both in the state aid and antitrust area. This has enabled the Commission and the Council to assess the degree to which the competition discipline is already being enforced in the Candidate countries.

1.2.4 The results of the assessment

Progress in the area of State aid has tended to be much slower than in the antitrust field, and it is only more recently that a real State aid discipline has begun to emerge. All Candidate countries have now adopted national State aid legislation, based on the Community acquis, and have also set up State aid monitoring authorities charged with applying and enforcing the rules. However, the degree to which a full and proper State aid discipline is enforced still varies somewhat from country to country.

The decision to provisionally close the competition negotiations with Estonia, Latvia, Lithuania and Slovenia in December 2001, with Cyprus in June 2002 and with the Czech Republic, Malta and Slovakia in October 2002, reflects the important progress that had been made in these eight applicant countries. State aid rules are being enforced and incompatible aid measures have been duly amended. Progress has been achieved in other countries as well and the Commission has been able to present proposals to the Council which could pave the way for the conclusion of the negotiations on competition with Hungary and Poland by the end of 2002. Progress has also been made in Bulgaria and Romania. State aid legislation in these two countries has been introduced only recently though, and it will still take some time for a sufficiently developed enforcement record to emerge.

1.2.5 Post-Accession

Upon Accession, Candidate countries will be required to notify new aid measures to the Commission. As with the current Member States, the Commission will control the granting of aid by means of a formal and transparent procedure.[5]

A specific approach has been devised for aid measures that already entered into effect before the date of accession and that Candidate countries would like to continue to operate beyond that date. The approach was already announced in the Common Positions on the Competition Chapter, adopted by the EU in November 2001 and has been further developed since then. It is envisaged that the following measures will be regarded as existing aid in the new Member States from the date of accession:

- Aid measures that entered into effect before 10 December 1994;

[5] Council Regulation No. 659/1999 of 22 March 1999

- Aid measures that are included in a list attached to the Accession Treaty;
- Aid measures that were approved by the State aid monitoring authority of the Candidate countries and submitted to the Commission between 1 November 2002 and the date of accession and to which the Commission does not object.

Different arrangements, which are currently being finalised, will apply to aid in the transport sector.

PART TWO: COMPARISON OF THE STATE AID SITUATION IN THE CANDIDATE COUNTRIES

2.1 Conceptual remarks

The data used in this Scoreboard were provided by each candidate country early in 2002 in the context of an inventory and data gathering exercise as well as the annual reports on State aid transmitted by the candidate countries in accordance with their transparency obligations laid down in the Europe Agreements. No data were available for Malta for the year 2000[6].

Insofar as it was possible, the data have been harmonised by applying the same methodology as that used for the EU Member States in the spring 2002 update of the State aid Scoreboard[7]. In principle, the data included in this Scoreboard should refer to measures that have been assessed by the national State aid monitoring authorities to determine whether or not they constitute State aid as defined under Article 87 of the Treaty. For some countries, the data include some measures that are incompatible, while in others, some existing measures had not yet been assessed at the time the data were compiled. In addition, some categories of aid may not have been reported to the same extent by all candidate countries. For example, certain types of rescue aid which consist of postponing and, in some cases, the waiving of liabilities such as tax arrears, are particularly difficult to measure. It is also worth noting that while some countries include State aid granted by local government, others may include aid granted only by central government. As a result, the scope and quality of the data in this Scoreboard may vary from one country to another.

State aid data collected for the Scoreboard are grouped according to primary objectives. It has to be noted that primary objectives cannot always give a completely accurate picture of the final beneficiaries: e.g., a part of regional aid is in fact paid to small and medium size enterprises, aid for research and development goes to particular sectors, and so on. Similarly, aid classified under ‘rescue and restructuring’ is, in the vast majority of cases, ad hoc aid to a company in a particular sector.

Candidate countries were not required to report aid expenditure for the agricultural and fisheries sectors, which are covered by other chapters in the Europe Agreements. These sectors are therefore not included in the Scoreboard. Also excluded is Community funding for the candidate countries. The EU's financial planning for 2000 to 2006, adopted by the Berlin European Council in March 1999, includes €22 billion devoted to 'pre-accession assistance' for infrastructure and institution-building (PHARE), environmental and transport infrastructure (ISPA) and rural development (SAPARD) in the applicant countries.

As a general rule, de minimis aid is excluded from the totals provided for each country although the situation may vary from one country to another. Where available, information on de minimis aid is included separately. Under the de minimis rule, aid to an enterprise that does not exceed the threshold of €100 000 over any period of three years is not considered State aid within the meaning of Article 87(1) of the Treaty and is therefore not subject to the notification obligation as regards the EU Member States.

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[6] The Agreement with Malta does not contain any specific reporting obligations for State aid
[7] COM(2002) 242 final of 22.05.2002

See also Methodological notes.

2.2 Overview

The population of the twelve Candidate countries stood at 106 million in the year 2000 compared with the EU total of 376 million. The largest countries were Poland (39 million) and Romania (22 million), the smallest Malta (0.4 million) and Cyprus (0.8 million).

State aid[8] granted by the twelve candidate countries[9] was estimated at €4.8 billion. The comparable figure for the EU was €70 billion. In absolute terms, Poland (€1 869 million), Hungary (€840 million), Czech Republic (€770 million) and Romania (€650 million) awarded the most aid. Together they accounted for more than 85% of total aid in the twelve candidate countries.

In relative terms, State aid may be expressed as a percentage of Gross Domestic Product (GDP) or as a per capita measure. For the Candidate countries as a whole (CC-12), State aid represented 1.3% of GDP[10] which is significantly higher than the EU average of 0.8%. However, this average masks significant differences between the countries: Romania (1.9%), Hungary (1.7%) and Czech Republic (1.5%) all reported aid levels well above the CC-12 average. In contrast, for the three Baltic States (Estonia, Lithuania and Latvia) and the Slovak Republic, aid as a percentage of GDP was at or below the EU average of 0.8%.

When aid is expressed in per capita terms, however, a different picture emerges. Even if purchasing power standards (PPS)[11] are used - thereby taking account of differences in price levels between countries – in 2000, the Candidate countries tended to spend less aid than the EU Member States: 105 PPS per person on average against the EU average of 185 PPS per person. Only Hungary (190 PPS) exceeded the EU average although Czech Republic, Slovenia and Cyprus all reported aid levels well above the CC-12 average. The ranking of the Candidate countries also changes: for example, Romania which reported the highest level of aid as a percentage of GDP is ranked 6th in terms of aid per capita (PPS) (Table 1).

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[8] Total aid less agriculture and fisheries

[9] No data available for Malta. Furthermore, the figures do not include the aid granted by Cyprus through the International Business Enterprises scheme since the measure is to be abolished by 1 January 2003 as it is not compatible with the Treaty (cf. the country profile of Cyprus).

[10] GDP less value added for agriculture and fisheries

[11] State aid per capita are expressed in terms of Purchasing Power Standards (PPS) and therefore take account of differences in price levels between countries. In general, when PPS are used instead of exchange rates, the gap between high-income and low-income countries narrows as price levels in low-income countries tend to be low compared to richer countries.

Table 1: Summary table - State aid in the EU and the candidate countries

Year 2000	EU 15	CC 12	BG	CY	CZ	EE	HU	LT	LV	MT	PL	RO	SI	SK
Population (mio)	376,5	105,6	8,2	0,8	10,3	1,4	10,0	3,7	2,4	0,4	38,7	22,5	2,0	5,4
State aid (mio. €)	69.460	4.839	151	95	770	26	843	70	53	n.a.	1.869	650	221	91
State aid/GDP (%)	0,8	1,3	1,3	1,0	1,5	0,5	1,7	0,6	0,7	n.a.	1,1	1,9	1,2	0,4
Aid/capita (PPS/cap)	185	105	66	156	174	43	190	44	47	n.a.	98	88	173	45

Note: Total State aid less agriculture and fisheries. EU funding is also excluded. No State aid data available for Malta. Source: DG Competition and Eurostat

2.3 Sectoral distribution of aid

As previously stated, the available data on State aid are grouped according to the primary objective only and cannot therefore give a completely accurate picture of the final beneficiaries of the aid. Notwithstanding the measurement difficulties, the data do give some indication as to which sectors are favoured by each Candidate country. In the year 2000, an estimated 46% of State aid in the Candidate countries was granted to the manufacturing sector, compared with the EU average of 35%. The share of total aid directed towards the transport sector, largely to the railway network, was around 22%. The coal sector received 12%, around 11% was non-sector-specific aid for employment objectives[12] with the remainder split between the non-manufacturing sector and services other than transport (Table 2).

The CC-12 averages[13] conceal significant differences between Candidate countries in the sectors to which they directed aid. The share of aid to the manufacturing sector ranged from 10% or less in Estonia and Lithuania to more than 50% in Cyprus, Hungary, Romania and the Slovak Republic. Manufacturing aid is dealt with in more detail in section 2.4. Aid to the transport sector accounted for around 10% of overall aid in Cyprus and Poland, while, in Estonia it represented more than 80%. Aid for employment and training made up around 25% of aid in Poland and 30% in Slovenia compared with a CC-12 average of 11%. Aid to the coal industry accounted for more than 25% of aid in Bulgaria, almost 20% of aid in Poland and around 10% in Czech Republic and Romania. No other country granted more than 5% of its aid to this sector in the year 2000.

[12] It was not possible to classify employment and training under a particular sector.

[13] These averages are clearly influenced by the large share of aid in Poland, Romania, Hungary and Czech Republic

Table 2: Sectoral distribution of aid, 2000

	% of total						million €
	Manufacturing	Non manufacturing	Coal	Services	Transport	Not elsewhere classified*	Total aid
EU 15	35	0	11	3	46	5	69.460
CC 12	46	4	12	4	22	11	4.839
BG	38	11	27	2	22	1	151
CY	52	-	-	33	8	6	95
CZ	42	-	11	19	26	2	770
EE	10	-	-	6	84	-	26
HU	62	-	2	0	36	0	843
LT	5	57	-	-	38	-	70
LV	45	-	-	7	48	-	53
PL	42	2	19	-	13	24	1.869
RO	52	17	10	2	19	1	650
SI	37	-	5	2	25	30	221
SK	55	10	4	2	29	-	91

* This column includes aid to employment and training that can not be classified under a particular sector.

Source: DG Competition

2.4 Aid to the manufacturing sector

Aid to the manufacturing sector[14] encompasses aid for horizontal objectives such as research and development and small and medium-sized enterprises as well as aid for specific sectors such as steel and shipbuilding, aid for rescue and restructuring and regional aid.

Aid granted to the manufacturing sector in the Candidate countries was estimated at €2.2 billion for the year 2000. Poland accounted for more than one third of this amount. In relative terms, the CC-12 figure represented 2.0% of value added in total industry[15]. In terms of value added, Cyprus, Hungary and Romania directed relatively high levels of aid to this sector in the year 2000 (see Table 3). The high level in Cyprus can be explained by the relatively large share of aid for horizontal objectives, primarily aid for small and medium-sized enterprises. In Hungary, it was due mainly to the large amount of aid awarded to undertakings through a series of fiscal aid schemes. In Romania, it was largely the result of large amounts of aid for rescue and restructuring.

[14] See more precise definition in Methodological notes.

[15] At the time the statistics were compiled, data on value added for the manufacturing sector were not available. Value added in total industry was therefore used as a proxy. The equivalent figure for the EU Member States was 1.4% in 2000.

Table 3: State aid to the manufacturing sector, 2000

	EU 15	CC 12	BG	CY	CZ	EE	HU	LT	LV	PL	RO	SI	SK
€ million	23.844	2.237	57	50	324	3	521	3	24	787	336	83	50
as % of total state aid	35	46	38	52	42	10	62	5	45	42	52	37	55
as % of value added in total industry	1,4	2,0	1,7	4,0	1,8	0,2	3,6	0,1	1,6	1,7	3,0	1,4	0,8
per person employed (€)	790	224	84	1.179	241	18	571	11	129	246	145	288	87

Source: DG Competition

2.5 Horizontal and sectoral objectives

State aid for horizontal objectives, i.e. aid that is not granted to specific sectors or geographic areas, is usually considered as being targeted to market failures and as being less distortive than sectoral and ad hoc aid. Research and development, safeguarding the environment, energy saving and support to small and medium-sized enterprises are the most prominent horizontal objectives pursued with State aid.

In 2000, aid granted for horizontal objectives accounted for just under 40% of total aid in the Candidate countries. There were large disparities between countries in the share of horizontal objectives ranging from around 10% or less of total aid in Bulgaria, Estonia, Lithuania and Slovak Republic to 50% or more in Hungary, Poland and Slovenia (Table 4). Again, it is important to bear in mind however that aid schemes classified under the primary objective of, say, employment aid may also support secondary objectives such as small and medium-sized enterprises, etc. However, the data do give a broad indication as to which horizontal objectives are favoured by each country. In 2000, around a quarter of all aid in Poland and Slovenia was specifically granted for employment objectives. Slovenia directed almost 10% of its aid to research and development compared with a CC-12 average of only 2%. Finally, Cyprus granted just under 20% of its aid to small and medium-sized enterprises.

Aid to support specific sectors is likely to distort competition more than aid for horizontal objectives and also tends to favour other objectives than identified market failures. Moreover, a significant part of such aid is granted to rescue or restructure companies. This can be explained in part by the relatively high level of privatisation and the need for candidate countries to demonstrate a functioning market economy capable of withstanding the competitive pressure in the internal market.

The share of aid granted to specific manufacturing and service sectors varies significantly from one candidate country to another. For example, taking the Candidate countries as a whole, aid to the steel sector represented 5% of total aid in the year 2000 whereas in the Czech Republic this sector received almost 20% and in the Slovak Republic more than 35%.

Table 4: State aid for horizontal objectives, 2000

	EU 15	CC 12	BG	CY	CZ	EE	HU	LT	LV	PL	RO	SI	SK
as % of total aid	24	39	1	30	17	10	50	3	15	55	18	51	12

Source: DG Competition

2.6 State aid supporting regional development and cohesion

The Europe Agreements lay down that public aid granted by the associated countries is to be assessed taking into account that for a five-year period they are to be regarded as areas identical to those areas of the Community qualifying for regional aid under Article 87(3)a of the EC Treaty, i.e. the least developed regions. In 2000, the Association Councils had decided to extend this status for another five years with respect to Bulgaria, Romania, Lithuania and Estonia. In 2001, similar decisions were adopted by the respective Association Councils with the Czech Republic, Latvia, Poland, Slovak Republic and Slovenia. In some cases this was with a retroactive effect so that, for example in the Czech Republic, the decision in fact expired by the end of 2001.

The Association Council decision extending Article 87(3)(a) status generally adds that the associated country has to submit GDP per capita figures at the appropriate statistical level. These figures are to be used by the State aid monitoring authority of the associated country and the Commission to jointly draw up the regional aid map for the associated country, on the basis of the Community guidelines on national regional aid. The regional aid map identifies the eligibility of regions for regional aid as well as the maximum aid intensities allowed in each of these regions, taking account of regional disparities as reflected in per capita income. On a proposal from the associated countries, the Commission has prepared the submission of draft regional aid maps to the Council with a view to their adoption by the respective Association Committees for most of the Candidate countries.

As almost all candidate countries in the year 2000 were regarded as areas identical to those areas of the Community qualifying for regional aid under Article 87(3)a of the Treaty, some countries could have classified much of their aid under ‘regional objectives’. However, in order to provide a clearer picture of where the aid goes, aid has been classified, as far as possible, under a more specific objective.

2.7 State aid instruments in the manufacturing sector

All State aid represents a cost or a loss of revenue to the public authorities and a benefit to recipients. However, the aid element, i.e. the ultimate financial benefit contained in the nominal amount transferred depends to a large extent on the form in which the aid is provided.

For the Candidate countries as a whole (CC-12), tax exemptions accounted for a larger share of total aid than grants: around 50 % of all aid to the manufacturing sector was awarded through tax exemptions compared with an EU average of 29% while aid in the form of grants made up 25% of the total, against an EU average of 62%. These averages conceal considerable differences between the individual candidate countries: while Estonia, Hungary, Latvia, Poland and Slovak Republic made widespread use of tax exemptions

(60% or more of total aid) in the year 2000, other countries tended to use grants, e.g., Bulgaria (just under 80% of all aid), Czech Republic and Hungary (more than 60%).

There are other forms of aid instrument which vary from one candidate country to another (Table 5). One such category covers transfers in which the aid element is the interest saved by the recipient during the period for which the capital transferred is at his disposal. The financial transfer takes the form of a soft loan or tax deferral. In the year 2000, soft loans accounted for a significant share of total manufacturing aid (between 10 and 16%) in the Czech Republic, Poland and Slovenia. A similar instrument is a tax deferral which was used only in Latvia (3% of all aid), Poland (4%) and Romania (11%) in 2000.

Table 5: State aid to the manufacturing sector by type of aid instrument, 2000

	in %						million €
	Grants	Tax exemptions	Equity participations	Soft loans	Tax deferrals	Guarantees	Total manufacturing
EU 15	62	29	0	5	1	3	24.235
CC 12	25	51	5	8	3	8	2.237
BG	77	14	-	1	-	7	57
CY	49	51	-	-	-	-	50
CZ	63	8	14	10	-	5	324
EE	29	70	-	-	-	1	3
HU	17	79	-	2	-	1	521
LT	63	28	1	-	-	8	3
LV	-	58	37	-	3	2	24
PL	11	60	3	16	4	5	787
RO	15	38	5	-	11	30	336
SI	50	12	10	16	-	11	83
SK	29	69	-	-	-	2	50

Source: DG Competition

Aid may also be in the form of state equity participation which represented about 5% of all CC-12 aid to the manufacturing sector. More than one-third of aid in Latvia was awarded for the capitalisation of tax debts accrued before privatisation. Finally, aid may be provided in the form of guarantees. The aid elements are much lower (on average around 10%) than the nominal amounts guaranteed, since they correspond to the benefit which the recipient receives free of charge or at lower than market rate if a premium is paid to cover the risk. Guarantees were awarded in 2000 by several candidate countries, notably in Romania where they accounted for 30% of all manufacturing aid.

BULGARIA

Year 2000

Population: 8.2 million	**Total State aid (national currency)**: 295 million BGN
GDP: €11.7 billion	**Total State aid (euro)**: €151 million
GDP per capita: €1433 or 5105 PPS	**State aid as a percentage of GDP***: 1.3%
Exchange rate: 1€ = 1.9479 BGN	**State aid per capita**: €18 or 66 PPS

State aid legislative, administrative and enforcement framework

Ongoing negotiations on the competition chapter which was opened in March 2001. Law on the Protection of Competition of 1998 contains basic provisions on State aid control. The new State aid law entered into force in June 2002. In July, rules on the application of the State aid law were adopted and the Ministry of Finance issued an Ordinance on the procedure for monitoring and ensuring transparency of State aid.
The Commission for the Protection of Competition controls State aid. The Ministry of Finance is responsible for the monitoring of State aid.
Website: www.stateaid-bg.org

State aid situation in the year 2000

Bulgaria granted around €151 million of aid in the year 2000. This represents 1.3% of GDP or the equivalent of €18 per capita.

In 1999, the volume of aid was more than twice as high (almost €400 million), due largely to the €170 million awarded to the steel industry in the context of privatisation. In 2000, there was no reported aid to this industry. Similarly, there was no aid to the shipbuilding sector in 2000 although €1 million in ad hoc aid was granted in 1999.

Aid for horizontal objectives made up only 1% of total aid while aid granted for regional objectives represented 12% of aid. All other aid was awarded for objectives favouring specific sectors. More than €40 million, representing 27% of all aid went to the coal sector with a further 11% being allocated for ore mining. Around 25% of aid went to other manufacturing sectors (central heating undertakings). The transport sector received more than 20% of total aid, all of it directed to the railway sector. There was no aid to the airline industry in 2000 whereas in 1999, around €17 million was granted to Balkan Airlines.

Just under 40% of all aid (€57 million) in 2000 went to the manufacturing sector (see definition in methodological notes). This represents 1.7% of value added in total industry or the equivalent of €84 per person employed.

Grants and tax exemptions, i.e. aid that is transferred in full to the recipient, accounted for more than 90% of all aid in the manufacturing sector. Grants were by far the most frequently used form of aid instrument making up almost 80% of the total (Table 5).

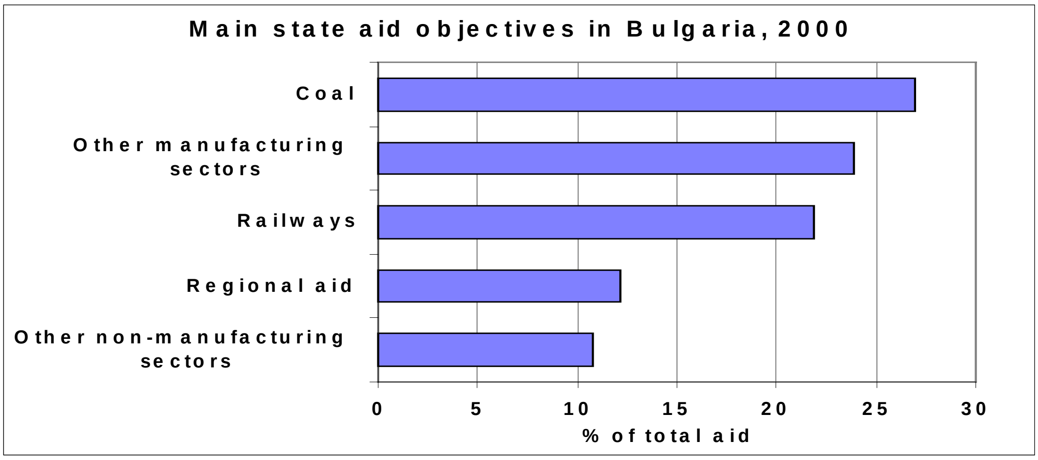
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Bulgaria

€ million

Total aid of which:	**151,4**
Horizontal Objectives, of which:	**1,9**
Research and Development	-
Environment	0,8
Small and medium-sized enterprices	-
Commerce	-
Energy	-
Employment	1,2
Training	-
Other Objectives	-
Aid for rescue and restructuring	**1,6**
Objectives favouring specific sectors, of which:	**129,5**
Steel	-
Shipbuilding	n.a.
Other Manufacturing Sectors	36,3
Coal	40,7
Other Non-manufacturing Sectors	16,3
Transport, of which:	33,2
Railways	33,2
Road/Combined Transport	-
Air Transport	-
Tourism	-
Financial Services	-
Media and Cultural sector	0,9
Other Services	2,1
Regional Objectives	**18,4**

Total aid to the manufacturing sector (€ million)	57,0
per person employed in this sector (€ - pps)	83,8 - 298,6
as % of value added in total industry	1,7



CYPRUS

Year 2000

Population: 755,000	**Total State aid (national currency)**: 55 million CYP
GDP: €9.2 billion	**Total State aid (euro)**: €95 million (plus €178 million[1])
GDP per capita: €12 137 or 14 938 PPS	**State aid as a percentage of GDP***: 1.0% (4% if the extra €178 million[1] is included)
Exchange rate: 1€ = 0.5739 CYP	**State aid per capita**: €126 or 156 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in June 2002.
State aid law came into effect on 30 April 2001.
Office of the Commissioner for Public Aid established in May 2001.
Website: www.publicaid.gov.cy/paid/publicaid.nsf/

State aid situation in the year 2000

Cyprus granted around €95 million of aid in the year 2000. This represents 1.0% of GDP or the equivalent of €126 per capita. Aid for horizontal objectives accounted for around one-third of the total (just under €30 million). Of this figure, €18 million was tax relief for SMEs and €6 million grants for training objectives.

The financial services sector received €4.5 million in the form of tax exemptions. Almost €23 million was directed at media and culture, with half being granted for public radio and television. Aid for transport (air, road and maritime) totalled €8 million in 2000. Finally, there was €10 million of regional aid, the bulk of which was for the rental of public land at prices below market value.

Aid to the manufacturing sector accounted for just over half the total (€50 million) which represents 4.0% of valued added in total industry. The total for manufacturing includes aid for the technological upgrading of enterprises and aid granted through a scheme to assist exporters of industrial products, although the latter has since been abolished. Around half the aid in the manufacturing sector took the form of a grant, while the other half was made up of tax exemptions (Table 5).

Methodological notes

(1) In addition to the aid referred to above, €178 million (around 100 million CYP) was awarded through the International Business Enterprises scheme in 2000. This aid was made up largely of tax relief (€148 million) through a reduced tax rate of 4.25%, as opposed to the standard rate of 20-25%. Tax exemptions accounted for a further €30 million. Such aid is not deemed to be compatible with the Treaty and the measure is to be abolished on 1st January 2003. Enterprises already in the scheme will be allowed to keep the preferential tax rate until the end of 2005. Given the clear commitment to phase out this scheme, the aid has not been included in the total. However, if it were included, the overall level of State aid in Cyprus would represent 4% of GDP.

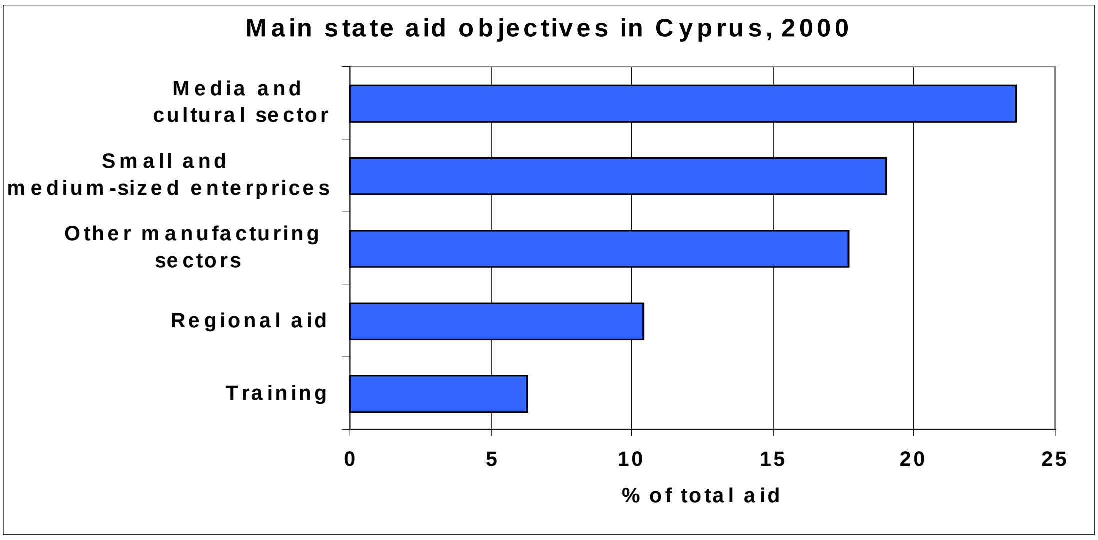
Data on State aid refer to that part of the island that is under the control of the Cypriot government. This covers an estimated 85% of the total population.
GDP per capita exceeds 80% of the EU average and thus Cyprus is not regarded as the equivalent of an Article 87(3)(a) area.
In view of the fact that virtually all enterprises in Cyprus can be classified as SMEs, no aid scheme existing prior to the enactment of the Public Aid Control Law in 2001 included the explicit condition that beneficiaries should be SMEs.The total figure for transport includes €3.5 million granted for maritime transport.

* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Cyprus € million

Total aid of which:	**95,4**
Horizontal Objectives, of which:	**28,9**
Research and Development	0,9
Environment	1,7
Small and medium-sized enterprices	18,1
Commerce	2,2
Energy	0,1
Employment	-
Training	6,0
Other Objectives	-
Aid for rescue and restructuring	-
Objectives favouring specific sectors, of which:	**56,5**
Steel	-
Shipbuilding	-
Other Manufacturing Sectors	16,9
Coal	-
Other Non-manufacturing Sectors	-
Transport, of which:	8,1
Railways	-
Road/Combined Transport	1,9
Air Transport	2,7
Tourism	1,4
Financial Services	4,5
Media and Cultural sector	22,6
Other Services	3,0
Regional Objectives	**10,0**

Total aid to the manufacturing sector (€ million)	49,8
per person employed in this sector (€ - pps)	1179,1 - 1451,3
as % of value added in total industry	4,0



CZECH REPUBLIC

Year 2000

Population: 10.3 million	**Total State aid (national currency)**: 27 billion CZK
GDP: €52.9 billion	**Total State aid (euro)**: €770 million
GDP per capita: €5 147 or 11 967 PPS	**State aid as a percentage of GDP***: 1.5%
Exchange rate: 1€ = 35.5995 CZK	**State aid per capita**: €75 or 174 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in October 2002.
Act on State aid of 24/2/2000 came into effect on 1/4/2000.
Office for the Protection of Competition established in 1991
Website: www.compet.cz

State aid situation in the year 2000

The Czech Republic granted around €770 million of aid in the year 2000. This represents 1.5% of GDP or the equivalent of €75 per capita. In 1999, the level of State aid was more than three times higher as the result of a large amount of aid for rescue and restructuring and increased aid to the transport sector.

Aid for horizontal objectives accounted around 17% of total aid. Of the €133 million, aid for small and medium-sized enterprises (SMEs) accounted for €67 million, €28 million went to research and development (R&D) while €17 million was awarded for employment and training objectives. Aid to SMEs helped to create an estimated 1700 jobs.

Aid for the restructuring of the steel sector was estimated at €144 million, almost 20% of all aid while €86 million of aid, 11% of total aid, was granted for scaled down production of coal mines.

Financial services accounted for almost 20% of total aid in 2000. The bulk of this aid was a State guarantee for restructuring plans in the banking sector. Transport aid amounted to one quarter of all aid with more than 90% of the €200 million going to the railway sector.

In 2000, around €324 million was directed to the manufacturing sector. This represents more than 40% of total aid or 1.8% of value added in total industry. The figure comprises almost €50 million of aid for rescue and restructuring, made up of a significant amount of ad hoc aid for the motor vehicle sector. A range of aid instruments were used in the manufacturing sector. Grants accounted for more than 60% of all manufacturing aid followed by equity participation, soft loans, tax exemptions and guarantees (Table 5).

Methodological notes

Aid for rescue and restructuring has been estimated on the basis of the budget and duration of the schemes. The figure for employment includes aid for training. The figure for coal includes aid for ore mining.

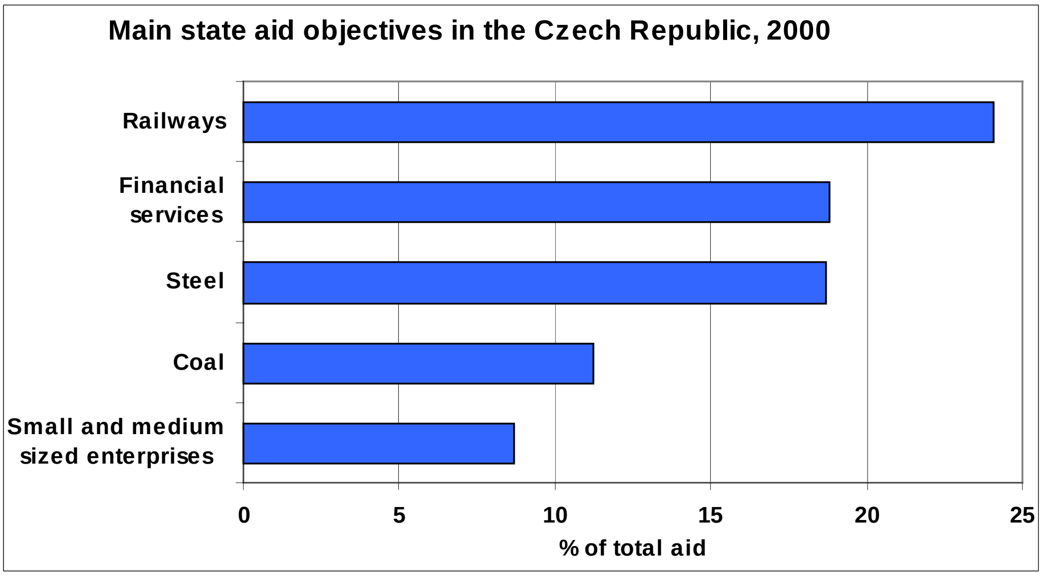
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Czech Republic

€ million

Total aid of which:	**770,3**
Horizontal Objectives, of which:	**133,0**
Research and Development	28,2
Environment	0,6
Small and medium-sized enterprices	66,7
Commerce	-
Energy	1,6
Employment	16,6
Training	-
Other Objectives	19,3
Aid for rescue and restructuring	**48,1**
Objectives favouring specific sectors, of which:	**584,2**
Steel	144,0
Shipbuilding	-
Other Manufacturing Sectors	9,9
Coal	86,0
Other Non-manufacturing Sectors	-
Transport, of which:	199,1
Railways	185,7
Road/Combined Transport	10,4
Air Transport	-
Tourism	-
Financial Services	144,5
Media and Cultural	0,6
Other Services	-
Regional Objectives	**5,1**

Total aid to the manufacturing sector (€ million)	323,5
per person employed in this sector (€ - pps)	241,3 - 561,0
as % of value added in total industry	1,8



ESTONIA

Year 2000

Population: 1.4 million	**Total State aid (national currency)**: 407 million EEK
GDP: €5.5 billion	**Total State aid (euro)**: €26 million
GDP per capita: €3 980 or 8 947 PPS	**State aid as a percentage of GDP***: 0.5%
Exchange rate: 1€ = 15.6466 EEK	**State aid per capita**: €19 or 43 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in November 2001.
The State Aid Monitoring Authority is the Ministry of Finance (Competition and State aid Division). The new Competition Act of 5 June 2001 entered into force on 1 October 2001.
Websites: www.fin.ee/eng/

State aid situation in the year 2000

Estonia granted around €26 million of aid in the year 2000. This represents 0.5% of GDP or the equivalent of €19 per capita.

Aid for horizontal objectives amounted to €2.5 million or 10% of total aid in 2000. Ad hoc aid of €1.8 million was granted for environmental purposes through the Pollution Charge Act. As regards other horizontal objectives, relatively small amounts of aid were granted for research and development (€0.3 million) and trade (€0.4 million).

In the year 2000, the transport sector received €22 million which represents almost 85% of total aid. Aid for media and culture totalled €1.7 million and consisted largely of grants to support the Estonian film industry.

In 2000, only €2.5 million was directed to the manufacturing sector (10% of total aid) compared with almost €50 million in 1999. The reduction can be explained by the expiry on 1st January 2000 of two large regional programmes that provided tax relief to companies to acquire or upgrade fixed assets and equipment. Indeed, since the adoption of the new Income Act, which came into force on 1 January 2000, tax exemptions for companies with foreign capital are no longer permitted. The Act also precludes the granting of aid to specific regions.

Tax exemptions were the most frequently used form of aid instrument making up 70% of total aid to the manufacturing sector while grants accounted for virtually all remaining aid (Table 5).

Methodological notes

The total figure for transport includes €3.7 million granted for the provision of ferry services to the Estonian islands. De minimis aid, which is not included in the figures below, was estimated at €0.4 million in 2000.

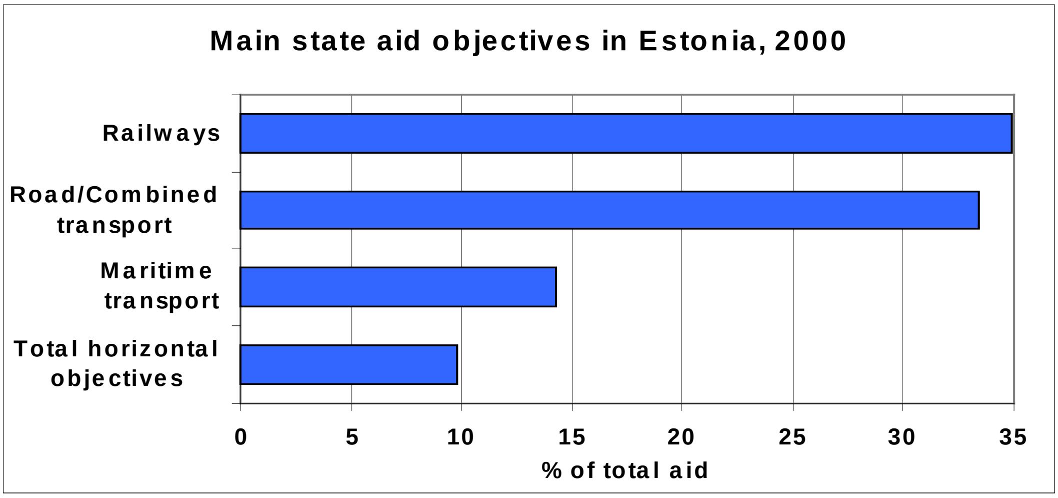
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Estonia

€ million

Total aid of which:	**26,0**
Horizontal Objectives, of which:	**2,5**
Research and Development	0,3
Environment	1,8
Small and medium-sized enterprices	0,0
Commerce	0,4
Energy	-
Employment	-
Training	-
Other Objectives	-
Aid for rescue and restructuring	-
Objectives favouring specific sectors, of which:	**23,5**
Steel	-
Shipbuilding	-
Other Manufacturing Sectors	-
Coal	-
Other Non-manufacturing Sectors	-
Transport, of which:	21,8
Railways	9,1
Road/Combined Transport	8,7
Air Transport	0,3
Tourism	-
Financial Services	-
Media and Cultural sector	1,7
Other Services	-
Regional Objectives	-

Total aid to the manufacturing sector (€ million)	2,5
per person employed in this sector (€ - pps)	18,0 - 40,5
as % of value added in total industry	0,2



HUNGARY

Year 2000

Population: 10.0 million	**Total State aid (national currency)**: 219 billion HUF
GDP: €50.6 billion	**Total State aid (euro)**: €843 million
GDP per capita: €5 035 or 11 406 PPS	**State aid as a percentage of GDP***: 1.7%
Exchange rate: 1€ = 260,045 HUF	**State aid per capita**: €84 or 190 PPS

State aid legislative, administrative and enforcement framework

Ongoing negotiations on the competition chapter.
On the basis of Government Decree No. 76/1999 and 163/2001, the State Aid Monitoring Office began work in mid-1999 on the harmonisation of State aid regulations with the Europe Agreement and the notification of State aid granted to undertakings.
Website: www.p-m.hu/Dokumentumok/English/tvi/honlapfo_20020208_en.htm

State aid situation in the year 2000

Hungary granted around €843 million of aid in the year 2000. This represents 1.7% of GDP or the equivalent of €84 per capita.

Aid for horizontal objectives accounted for 50% of total aid: €370 million was made up of tax benefits awarded to undertakings in the manufacturing sector through a series of fiscal aid schemes. Several of the schemes have been found to be incompatible with the EU acquis and are therefore being phased out. €22 million was earmarked specifically for small and medium-sized enterprises while €18 million was granted for environmental objectives. The relatively small amount of aid to employment and training (under €2 million) reflects the increasing tendency to promote these areas through general measures rather than by granting State aid.

Aid schemes for specific manufacturing sectors no longer exist due to the fact that privatisation ended in the mid-nineties.

As regards aid to coal mining (€13 million in 2000), the Hungarian government decided in 1999 to terminate aid destined for current production to the coal sector by the end of 2000. More than one-third of total aid was directed to the transport sector in 2000, almost exclusively to railways. Of the €300 million, around 60% was to cover public service obligations and the remaining 40% was investment for infrastructure. Aid for regional objectives totalled €105 million. About 60% was earmarked for regional development while the remaining 40% were tax benefits granted by local government (see methodological notes below).

In total, around €520 million was directed to the manufacturing sector in 2000. This represents more than 60% of total aid or 3.6% of value added in total industry. Tax exemptions were the most frequently used form of aid instrument making up almost 80% of total aid to the manufacturing sector. Grants accounted for 18% while the remaining aid was split between soft loans and guarantees (Table 5).

Methodological notes

The concept of SMEs in Hungarian legislation is narrower than that used in the EU. This means that the figure for SMEs is underestimated although from 2001 a more comparable figure will be available.

Tax benefits granted by local government refer only to undertakings with a tax base higher than HUF 500 million (€2 million). Furthermore, the data relate to aid exceeding €100 000. As from 2001, data will become available on the total amount of benefits granted by local government.

De minimis aid which is not included in the total amounted to almost €10 million.

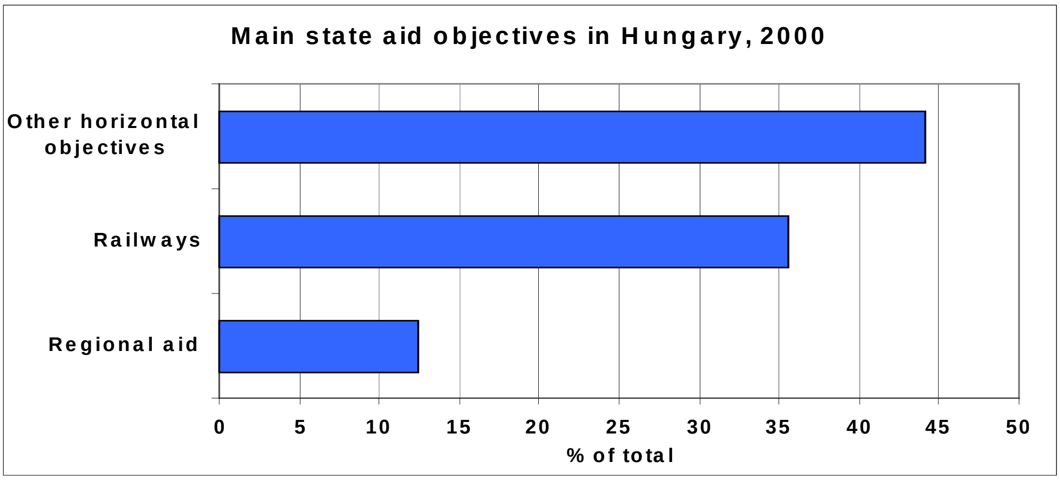
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Hungary

€ million

Total aid of which:	**842,5**
Horizontal Objectives, of which:	**417,9**
Research and Development	4,8
Environment	17,6
Small and medium-sized enterprices	22,5
Commerce	-
Energy	-
Employment	1,6
Training	0,0
Other Objectives	371,4
Aid for rescue and restructuring	-
Objectives favouring specific sectors, of which:	**319,8**
Steel	-
Shipbuilding	-
Other Manufacturing Sectors	-
Coal	12,6
Other Non-manufacturing Sectors	-
Transport, of which:	304,2
Railways	300,3
Road/Combined Transport	-
Air Transport	-
Tourism	3,0
Financial Services	-
Media and Cultural sector	-
Other Services	-
Regional Objectives	**104,8**

Total aid to the manufacturing sector (€ million)	521,1
per person employed in this sector (€ - pps)	571,3 - 1294,2
as % of value added in total industry	3,6



Lithuania

Year 2000

Population: 3.7 million	**Total State aid (national currency)**: 257 million LTL
GDP: € 12.2 billion	**Total State aid (euro)**: €70 million
GDP per capita: € 3 303 or 7 658 PPS	**State aid as a percentage of GDP***: 0.6%
Exchange rate: 1€ = 3.6952 LTL	**State aid per capita**: €19 or 44 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in November 2001.
The Competition Council was set up in March 1999.
Law on Monitoring of State Aid to Undertakings was passed on 18 May 2000.
Website: www.konkuren.lt/english/index.htm

State aid situation in the year 2000

Lithuania granted around €70 million of aid in the year 2000. This represents 0.6% of GDP or the equivalent of €19 per capita.

Over half the total aid, some €40 million, involved ad hoc aid in the non-manufacturing sector. The bulk of this aid was awarded to pay off part of a loan guarantee.

Aid to horizontal objectives totalled €2 million in 2000 with around half this figure providing forty undertakings with export credit insurance support for non-commercial risk.The figure of €1.2 million under regional objectives refers to aid granted for investment at municipal and county level. No other 'regional' aid was granted in the year 2000 as the Law on Regional Development was passed only in July 2000. Aid for regional development will be granted as from 2002.

State aid to the transport sector (€26 million) made up almost 40% of total State aid. Road transport received €19 million, the airlines €6 million and the railways €1 million. Around 75% of total transport aid was granted to compensate for losses incurred in relation to passenger transportation.

In 2000, €3.4 million was directed to the manufacturing sector (around 5% of total aid) which represents only 0.1% of value added in total industry. The overall level of manufacturing aid fell considerably by around €15 million between 1999 and 2000. The decrease was due largely to a reduction in aid for rescue and restructuring in the energy and gas sectors as well as aid for regional purposes.

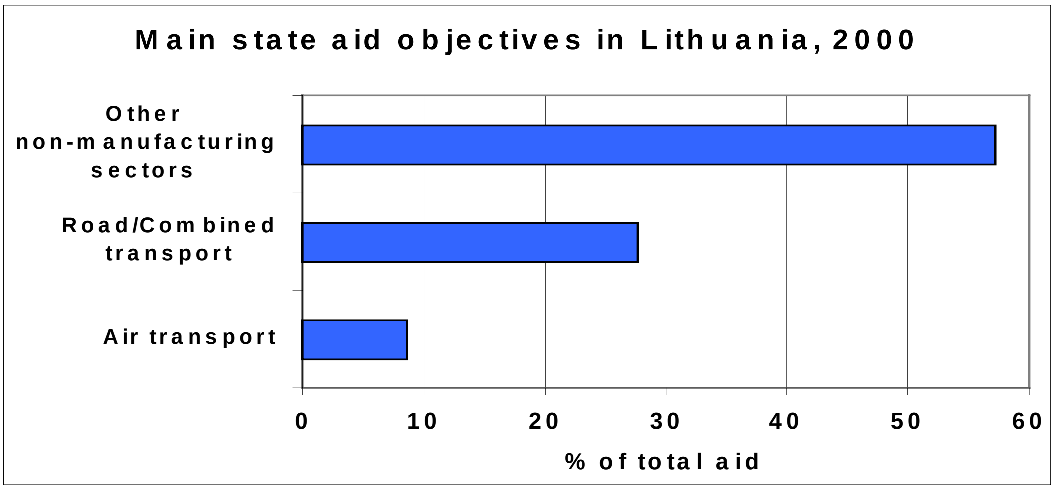
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Lithuania

€ million

Total aid of which:	**69,6**
Horizontal Objectives, of which:	**2,1**
Research and Development	0,2
Environment	-
Small and medium-sized enterprices	0,8
Commerce	1,0
Energy	-
Employment	-
Training	-
Other Objectives	0,1
Aid for rescue and restructuring	**0,1**
Objectives favouring specific sectors, of which:	**66,2**
Steel	-
Shipbuilding	0,0
Other Manufacturing Sectors	-
Coal	-
Other Non-manufacturing Sectors	39,8
Transport, of which:	26,4
Railways	1,1
Road/Combined Transport	19,2
Air Transport	6,1
Tourism	-
Financial Services	-
Media and Cultural sector	-
Other Services	-
Regional Objectives	**1,2**

Total aid to the manufacturing sector (€ million)	3,4
per person employed in this sector (€ - pps)	11,3 - 26,2
as % of value added in total industry	0,1



LATVIA

Year 2000

Population: 2.4 million	**Total State aid (national currency)**: 29 million LVL
GDP: €7.8 billion	**Total State aid (euro)**: €53 million
GDP per capita: €3 258 or 6951 PPS	**State aid as a percentage of GDP***: 0.7%
Exchange rate: 1€ = 0.5592 LVL	**State aid per capita**: €22 or 47 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in November 2001.
The State Aid Surveillance Commission was set up in 1997. State aid law "On control of the State and local government aid to entrepreneurial activity" was adopted in Feb. 1998.
Website: www.fm.gov.lv/finances/fr.vau.htm

State aid situation in the year 2000

Latvia granted around €53 million of aid in the year 2000. This represents 0.7% of GDP or the equivalent of €22 per capita.

Aid for rescue and restructuring accounted for almost 30% of total aid. The bulk of the €15 million was awarded for the capitalisation of tax debts accrued before privatisation as well as tax deferrals for pre-privatisation tax debts that could not be capitalised. Aid for horizontal objectives amounted to €8 million, made up almost exclusively of tax relief for companies with foreign investment in the manufacturing and transport sectors.

Around 50% of total aid was awarded to the transport sector. Of the €26 million, half went to compensate for losses incurred in the provision of bus transportation in rural areas while Latvian railways received €10 million to compensate for losses incurred in passenger transportation.

Aid to financial services fell sharply from €25 million in 1999 to just under €4 million in 2000. In 1999, the Central bank and government incurred substantial costs related to the rescue and restructuring program of a Commercial Bank which became insolvent as a result of the Russian crisis. In 2000 there were no new ad hoc cases in this sector.

Around 45% of all aid granted in 2000 went to the manufacturing sector. This represents 1.6% of value added in total industry. Almost 60% of aid to manufacturing was awarded through tax exemptions while 37% was issued for the capitalisation of tax debts (Table 5).

Methodological notes

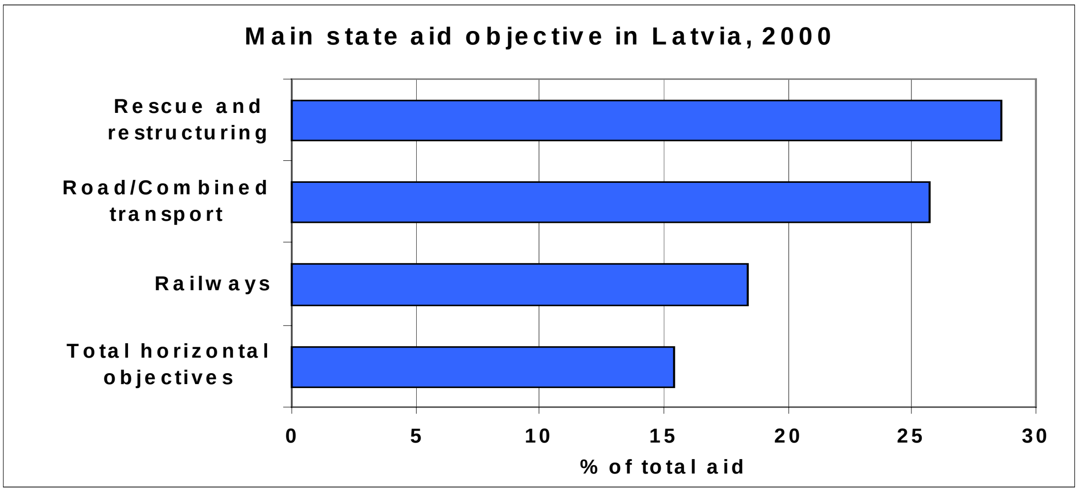
Aid granted under the following objectives was assessed and either fell under the de minimis ceiling or was not considered to be State aid: research and development, small and medium-sized enterprises, environment, tourism, media and culture, and employment and training. De minimis aid which is excluded from the total amounted to €5 million in 2000.

* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Latvia

	€ million
Total aid of which:	**52,6**
Horizontal Objectives, of which:	**8,1**
Research and Development	-
Environment	-
Small and medium-sized enterprices	-
Commerce	0,4
Energy	-
Employment	-
Training	-
Other Objectives	7,7
Aid for rescue and restructuring	**15,0**
Objectives favouring specific sectors, of which:	**29,2**
Steel	0,1
Shipbuilding	-
Other Manufacturing Sectors	-
Coal	-
Other Non-manufacturing Sectors	-
Transport, of which:	25,2
Railways	9,7
Road/Combined Transport	13,4
Air Transport	-
Tourism	-
Financial Services	3,9
Media and Cultural sector	-
Other Services	-
Regional Objectives	**0,2**

Total aid to the manufacturing sector (€ million)	23,5
per person employed in this sector (€ - pps)	129,1 - 275,5
as % of value added in total industry	1,6



POLAND

Year 2000

Population: 38.6 million	**Total State aid (national currency)**: 7 493 million PLN
GDP: €164.4 billion	**Total State aid (euro)**: €1 869 million
GDP per capita: €4 254 or 8612 PPS	**State aid as a percentage of GDP***: 1.1%
Exchange rate: 1€ = 4.0082 PLN	**State aid per capita**: €48 or 98 PPS

State aid legislative, administrative and enforcement framework

Ongoing negotiations on the competition chapter which was opened in May 1999.
State aid law came into effect on 1 January 2001. Office for Competition and Consumer Protection took over monitoring of State aid in 1998.
Website: www.uokik.gov.pl/

State aid situation in the year 2000

Poland granted around €1.87 billion of aid in the year 2000. This represents 1.1% of GDP or the equivalent of €48 per capita.

Aid for horizontal objectives accounted for more than half of total aid. The figure of €1 billion was made up largely of aid for employment and investment aid (other objectives). A significant proportion of employment aid, in the region of €180 million, was earmarked for the rehabilitation of working persons with disabilities. Aid for research and development and small and medium-sized enterprises was marginal though it is worth noting that more than €80 million was granted for environmental objectives.

Classified under regional aid are tax exemptions totalling €70 million which were awarded to undertakings, almost exclusively under the law on special economic zones. Such regional aid, which only accounted for 4% of total aid, is expected to increase in the coming years.

More than 30% of total aid was aimed at specific sectors. Aid for the restructuring of hard coal and lignite mining totalled €350 million which represents almost 20% of total aid. In addition to restructuring of the coal sector, a further €130 million was granted for rescue and restructuring in 2000.

Transport aid amounted to €250 million in 2000 which corresponds to 13% of total aid. Just over half the amount was used to refund the cost of free tickets and reduced fares for passenger transport with the remainder being invested in railroad infrastructure.

Around 40% of all aid granted in 2000 went to the manufacturing sector. This represents 1.7% of value added in total industry. A range of aid instruments were used in the manufacturing sector with tax exemptions making up 60% of total aid followed by soft loans (16%), grants (11%) with the remainder split between equity participation, tax deferrals and guarantees (Table 5).

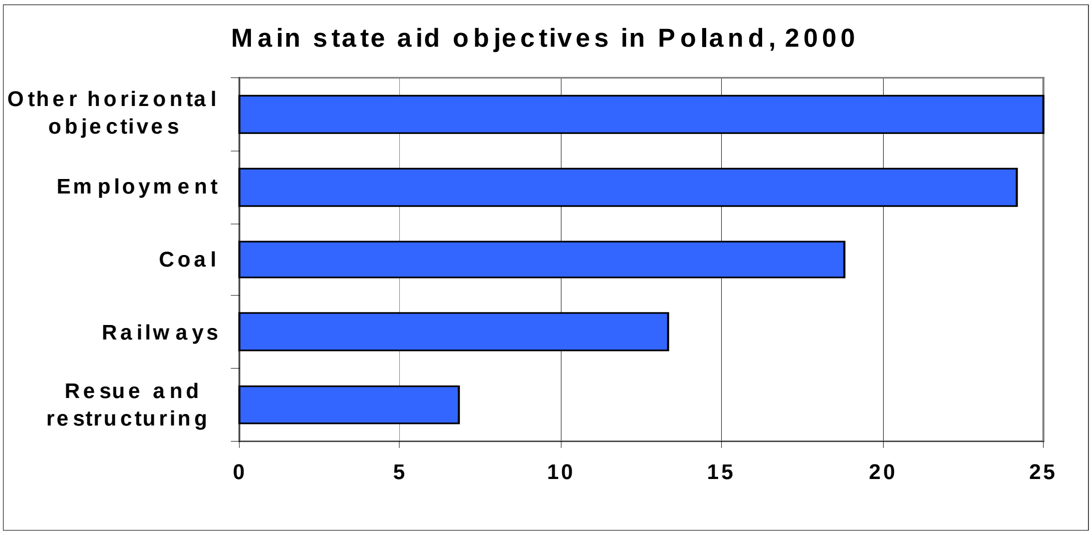
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Poland

€ million

Total aid of which:	**1868,8**
Horizontal Objectives, of which:	**1028,0**
Research and Development	23,5
Environment	83,2
Small and medium-sized enterprices	1,5
Commerce	-
Energy	-
Employment	452,2
Training	-
Other Objectives	467,5
Aid for rescue and restructuring	**127,7**
Objectives favouring specific sectors, of which:	**642,2**
Steel	12,4
Shipbuilding	-
Other Manufacturing Sectors	-
Coal	351,1
Other Non-manufacturing Sectors	29,3
Transport, of which:	249,3
Railways	249,3
Road/Combined Transport	-
Air Transport	-
Tourism	-
Financial Services	-
Media and Cultural sector	-
Other Services	-
Regional Objectives	**71,0**

Total aid to the manufacturing sector (€ million)	786,9
per person employed in this sector (€ - pps)	245,6 - 497,1
as % of value added in total industry	1,7



ROMANIA

Year 2000

Population: 22.5 million	**Total State aid (national currency)**: 12 958 billion ROL
GDP: €35.2 billion	**Total State aid (euro)**: € 650 million
GDP per capita: €1 569 or 4 787 PPS	**State aid as a percentage of GDP***: 1.9 %
Exchange rate: 1€ = 19921.8 ROL	**State aid per capita**: €29 or 88 PPS

State aid legislative, administrative and enforcement framework

Ongoing negotiations on the competition chapter.
State Aid Control is carried out by the Competition Council while monitoring of State aid is carried out by the Competition Office. Both are operational since July 2000.
Website: www.oficiulconcurentei.ro/

State aid situation in the year 2000

Romania granted around €650 million of aid in the year 2000. This represents 1.9% of GDP or the equivalent of €29 per capita.

Aid for horizontal objectives accounted for just under 20% of total aid. Half this amount, around €60 million of aid, was awarded to small and medium-sized enterprises, or for environmental objectives, research and development or training. The remainder was made up almost exclusively of tax exemptions to undertakings operating in the manufacturing sector for the purchase or modernisation of machinery and equipment.

In the year 2000, €121 million - around 20% of all aid - was awarded for rescue and restructuring to the manufacturing sector. More than half this aid – around €70 million - went to manufacturers of machinery and equipment. Undertakings operating in the chemical industry received around €25 million while the remainder was distributed to various other manufacturing sub-sectors.

The coal sector received 10% of all aid in the year 2000 with just over half this amount covering production costs. In addition, 17% of aid, totalling more than €100 million, was granted for mining other than coal. Other sectors such as steel (4%) and shipbuilding (1%) were awarded relatively small shares of total aid.

Transport aid amounted to €123 million in 2000 which corresponds to around 20% of total aid. The bulk of this aid consisted of grants and guarantees to the airline sector.

Around 50% of all aid granted in 2000 went to the manufacturing sector. This represents 3.0% of value added in total industry. A range of aid instruments were used in the manufacturing sector with tax exemptions making up almost 40% of total aid followed by guarantees (30%), grants (15%) and tax deferrals (11%) (Table 5).

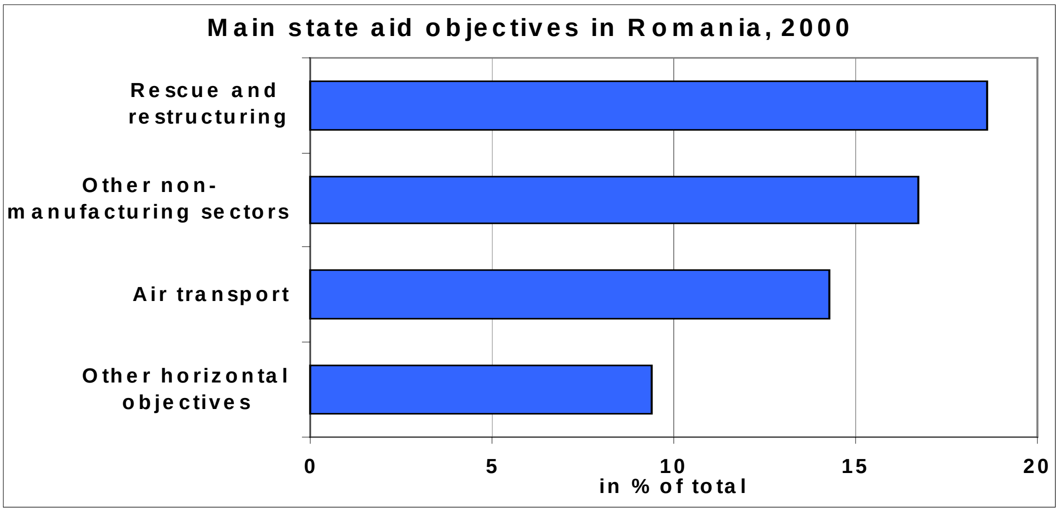
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Romania

€ million

Total aid of which:	**650,4**
Horizontal Objectives, of which:	**119,1**
Research and Development	7,1
Environment	18,1
Small and medium-sized enterprices	27,9
Commerce	-
Energy	n.a.
Employment	-
Training	4,7
Other Objectives	61,2
Aid for rescue and restructuring	**121,2**
Objectives favouring specific sectors, of which:	**372,2**
Steel	25,1
Shipbuilding	7,4
Other Manufacturing Sectors	30,4
Coal	62,2
Other Non-manufacturing Sectors	108,5
Transport, of which:	123,0
Railways	24,1
Road/Combined Transport	-
Air Transport	93,1
Tourism	10,9
Financial Services	1,4
Media and Cultural sector	3,5
Other Services	-
Regional Objectives	**38,0**

Total aid to the manufacturing sector (€ million)	336,4
per person employed in this sector (€ - pps)	145,4 - 443,5
as % of value added in total industry	3,0



SLOVENIA

Year 2000

Population: 2.0 million	**Total State aid (national currency)**: 46 billion SIT
GDP: €19.5 billion	**Total State aid (euro)**: €221 million
GDP per capita: €9 826 or 15 276 PPS	**State aid as a percentage of GDP***: 1.2%
Exchange rate: 1€ = 206.613 SIT	**State aid per capita**: €111 or 173 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in November 2001.
State aid control Act came into force on 22 January 2000.
Commission for Monitoring of State Aid set up in 1998.
Commission for State Aid Control set up in 2000.
Website: www.gov.si/mf/angl/apredmf1.html

State aid situation in the year 2000

Slovenia granted around €221 million of aid in the year 2000. This represents 1.2% of GDP or the equivalent of €111 per capita.

Aid for horizontal objectives accounted for 50% of total aid. More than €60 million (30% of total aid) was allocated for employment objectives, largely in the form of tax exemptions or tax relief. €20 million went to research and development and €13 million each to the environment and to small and medium-sized enterprises.

Aid for rescue and restructuring made up 12% of total aid in 2000. As regards objectives favouring specific sectors, 5% of aid was granted to the coal sector, exclusively for mine closures. Just under €4 million, around 2% of total aid, was awarded to the steel sector under the restructuring programme for this industry in Slovenia.

A quarter of all State aid (€56 million) was allocated to the railway sector, largely in the form of grants. No other aid was awarded to the transport sector in 2000, in contrast to 1999 when, for example, the airline industry received some €25 million.

Regional aid, which was awarded in 2000 for investment schemes only, accounted for less than 3% of total aid.

Just under 40% of all aid granted in 2000 went to the manufacturing sector. This represents 1.3% of value added in total industry. A range of aid instruments were used in the manufacturing sector with grants making up half the total and the other half split between soft loans, tax exemptions, equity participation and guarantees (Table 5).

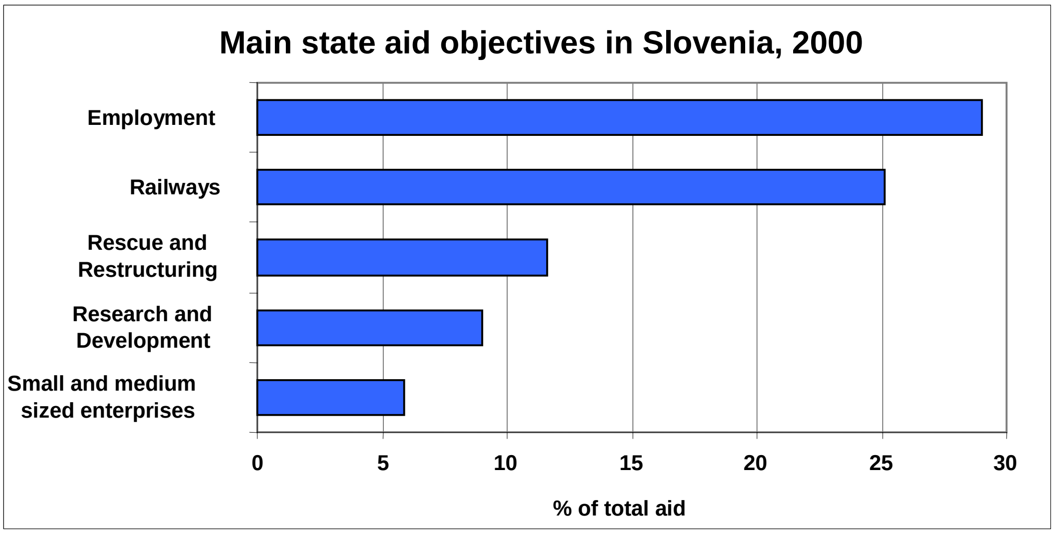
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Slovenia

€ million

Total aid of which:	**221,0**
Horizontal Objectives, of which:	**111,8**
Research and Development	19,8
Environment	12,7
Small and medium-sized enterprices	13,0
Commerce	-
Energy	-
Employment	64,2
Training	2,1
Other Objectives	-
Aid for rescue and restructuring	**25,7**
Objectives favouring specific sectors, of which:	**77,1**
Steel	3,8
Shipbuilding	-
Other Manufacturing Sectors	1,3
Coal	11,4
Other Non-manufacturing Sectors	-
Transport, of which:	55,6
Railways	55,6
Road/Combined Transport	-
Air Transport	-
Tourism	5,0
Financial Services	-
Media and Cultural sector	-
Other Services	-
Regional Objectives	**6,3**

Total aid to the manufacturing sector (€ million)	82,6
per person employed in this sector (€ - pps)	287,9 - 447,7
as % of value added in total industry	1,4



SLOVAK REPUBLIC

Year 2000

Population: 5.4 million	**Total State aid (national currency)**: 3 863 million SKK
GDP: €20.4 billion	**Total State aid (euro)**: €91 million
GDP per capita: €3 775 or 10 013 PPS	**State aid as a percentage of GDP***: 0.4%
Exchange rate: 1€ = 42.6017 SKK	**State aid per capita**: €17 or 45 PPS

State aid legislative, administrative and enforcement framework

Negotiations on the competition chapter provisionally closed in October 2002. State aid law came into effect on 1 January 2000. State aid Office established in March 2000.
Website: www.usp.sk

State aid situation in the year 2000

The Slovak Republic granted around €91 million of aid in the year 2000. This represents 0.4% of GDP or the equivalent of €17 per capita. In relation to 1999, total aid fell considerably due partly to a reduction in the amount of aid awarded for transport.

Aid for horizontal objectives accounted for around 12% of all aid in 2000. Of the €11 million, €8 million was granted to around sixty research and development projects in various industries. A further €1.6 million was granted to small and medium-sized enterprises.

Tax relief to the steel industry, totalling €33 million, represented more than one-third of total aid. The coal sector received 4% with around half the amount covering production costs. In addition, 7% of aid went for salt extraction and 3% for ore mining.

The transport sector received almost 30% of total aid, with virtually all of the €26 million supporting bus transport. Finally, 5% of aid was granted to support regions with high unemployment.

In total, €50 million went to the manufacturing sector in 2000, made up largely of aid to the steel sector. As a result, tax relief schemes accounted for 70% of total aid to the manufacturing sector while the remaining aid was issued in the form of grants (Table 5).

Methodological notes

As with other countries, data for the Slovak Republic have been classified according to the primary objective of the aid. This inevitably depends on how the primary objective is defined. The approach used in the Slovak Republic may differ somewhat to that of some other countries in that aid, say, for research and development in the steel sector would be allocated to steel as opposed to classifying it under research and development. De minimis aid was estimated at around €12 million in 2000.

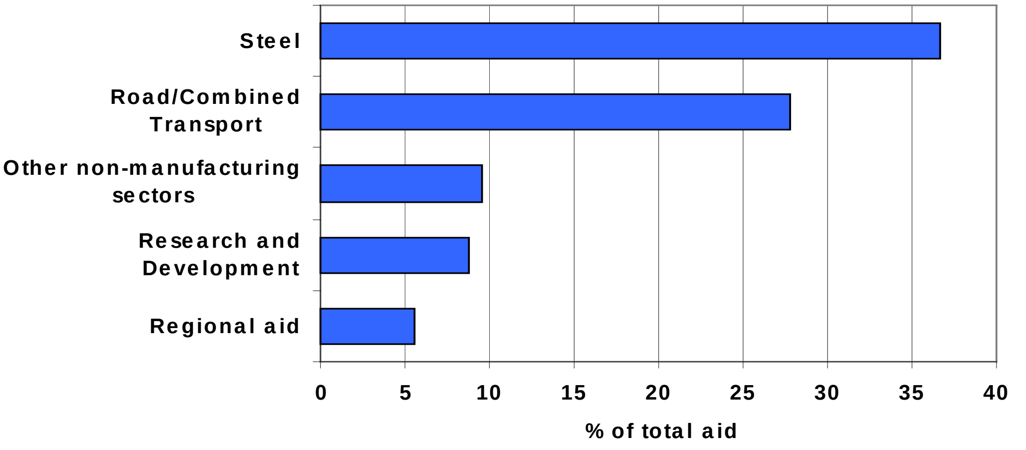
* (GDP less value added for agriculture and fisheries)

State aid in the year 2000 - Slovak Republic € million

Total aid of which:	**90,7**
Horizontal Objectives, of which:	**10,7**
Research and Development	8,0
Environment	0,3
Small and medium-sized enterprices	1,6
Commerce	-
Energy	-
Employment	-
Training	-
Other Objectives	0,9
Aid for rescue and restructuring	**0,8**
Objectives favouring specific sectors, of which:	**74,1**
Steel	33,2
Shipbuilding	-
Other Manufacturing Sectors	-
Coal	3,8
Other Non-manufacturing Sectors	8,7
Transport, of which:	26,4
Railways	1,2
Road/Combined Transport	25,2
Air Transport	-
Tourism	-
Financial Services	-
Media and Cultural sector	1,9
Other Services	-
Regional Objectives	**5,0**

Total aid to the manufacturing sector (€ million)	49,8
per person employed in this sector (€ - pps)	86,7 - 230,1
as % of value added in total industry	0,8

Main state aid objectives in the Slovak Republic, 2000



METHODOLOGICAL NOTES

See also Conceptual remarks (Section 2.1)

The data used in this Scoreboard were provided by the national administrations of each candidate country. Additional data on population, GDP, value added in the manufacturing sector and exchange rates were obtained from Eurostat.

For the purposes of the Scoreboard, aid to the manufacturing sector includes aid for steel, shipbuilding, other manufacturing sectors, rescue and restructuring, regional aid and aid for most horizontal objectives including research and development, small and medium size enterprises, environment, commerce and energy saving.

Annual average exchange rates for 2000 were provided by Eurostat and may differ from those used by the national authorities. Furthermore, exchange rates for some of the currencies in question have been subject to considerable fluctuations, which clearly have an impact on the data.

The following symbols have been used in the Scoreboard:

n.a.	not available
-	real zero
0	less than half the unit used