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REPORT

State Aid Scoreboard

- spring 2006 update -

(presented by the Commission)

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EXECUTIVE SUMMARY

1) Completing the fifth enlargement

The expected accession of Bulgaria and Romania, foreseen for January 2007, if they are ready, will complete the fifth enlargement of the EU which started in 1 May 2004 with the accession of ten new Member States. A Treaty of Accession was signed in April 2005 with a view to welcoming both countries as members as from January 2007, if the postponement clause is not triggered by the European Council.

2) Screening State aid measures which will continue to be in place after accession ('existing aid' measures)

Three measures have been annexed to the Accession Treaty of Bulgaria that shall be regarded as existing aid upon accession. In addition, Bulgaria submitted its first request to the Commission to approve one measure under the interim mechanism. In the case of Romania, no existing aid measures have been attached to the Accession Treaty nor will the interim procedure be applied until the Commission concludes that Romania's State aid enforcement record has reached a satisfactory level.

3) In relative terms Bulgaria granted less aid and Romania more aid compared to the EU-25 average

Over the period 2002-2004, total State aid¹ granted annually was estimated at €65 million for Bulgaria and €981 million for Romania. In Bulgaria, total State aid represented 0.36% of GDP which was significantly lower than the average for the ten new Member States (1.35%) and indeed lower than the EU-25 average (0.49%). In Romania, total State aid was significantly higher, representing 1.86% of GDP.

When aid is expressed in per capita terms, a different picture emerges with regard to the relative position of Romania. For example, the annual average of 118 PPS² per person in Romania was significantly less than a number of other Member States. Bulgaria's level of 23 PPS per capita places it around the same level as the Baltic States.

4) Relatively high share of sectoral aid

In the period 2002-2004, around 87% of total State aid in Romania and 55% in Bulgaria were earmarked for the potentially more distortive types of aid such as sectoral aid including aid to rescue and restructure firms in difficulty. These shares of sectoral aid are relatively high compared to the EU-25 average of 32% but are more in line with the ten new Member States (average of 77%). The higher share of sectoral aid can be explained largely by the extensive reforms during the transition to a market economy, privatization and restructuring companies in difficulty.

Bulgaria awarded 25% of total aid to companies in the manufacturing sectors including steel (10%) and a further 25% to 'other non-manufacturing sectors' which largely consist of aid for

¹ Total State aid less agriculture, fisheries and transport.

² Purchasing Power Standards

heating companies and the mining industry. The very high share of sectoral aid in Romania can be explained in part by the relatively strong support of several industries such as mining (21%), steel (14%) and coal (11%).

5) Some (potential) candidate countries have adopted national legislation on State aid and established national State aid monitoring structures

Among the Candidate countries, Croatia and the Former Yugoslavia Republic of Macedonia have adopted national legislation on State aid and established national State aid monitoring authorities. In contrast, Turkey has not yet established an operationally independent monitoring authority nor adopted any legislation.

As regards potential Candidate countries, Serbia and Montenegro established State aid monitoring structures within their Ministry of Finance in 2005 and Albania established a new department in the Ministry of Economy in 2004. However, neither of these structures can be considered as operationally independent State aid monitoring authorities. In Bosnia and Herzegovina there is as yet no authority responsible for overseeing State aid granted in the country.

6) The block exemption regulations appear to have significantly reduced the administrative burden

The number of notifications to grant training aid, employment aid and SME aid has fallen considerably since 2001 as Member States make increasing use of the possibilities offered by the block exemption regulations. By the end of January 2006, more than 1300 information forms on block exempted measures had been submitted since the introduction of the regulations for SMEs and training in 2001. In 2005 alone, the Commission received more than 400 forms on exempted measures.

7) Around 11% of all State aid cases registered in 2005 were non notified measures

In 2005, there were just under 765 cases³ registered by the Commission: 663 cases were notified by Member States, 84 non-notified cases initiated by the Commission, 17 cases examining existing aid. Excluding the block exemption information forms, 52% of all registered cases in 2005 concerned the manufacturing and service sectors and 34% the agricultural sector. Of the remaining cases, 9% involved transport and energy and 4% the fisheries sector.

8) In 2005, the Commission approved the award of State aid in 89% of its decisions

In 2005, the Commission took 646 final decisions.⁴ In the vast majority of cases, the Commission concludes that the examined aid is compatible with the State aid rules and allows Member States to award such aid without carrying out a formal investigation procedure. This was the case for 89% of decisions taken in 2005. Where the Commission has doubts whether

³ This figure excludes measures submitted under the block exemption regulations.

⁴ Excluded under 'final' decisions are all decisions taken in 2005 to open a formal investigation procedure (55 in 2005), corrigenda, information injunctions, court cases, proposal appropriate measures as well as measures approved under the block exemption regulations for which there is no Commission decision as such. The total however includes those decisions in which the Commission decides that the notified aid does not in fact constitute aid as defined under Article 87(1). There were 23 such decisions in 2005. Also included under 'positive' decisions are the 2 conditional decisions taken in 2005.

certain aid measures comply with the rules, it carries out a formal investigation at the end of which the Commission either takes a positive, conditional or no aid decision⁵ (making up 8% of the decisions in 2005 in addition to the 89% of decisions approved without a formal procedure) or that it does not comply with State aid rules and hence is not compatible with the Common Market and takes a negative decision (3% of all decisions in 2005).

9) The number of pending recovery decisions has decreased

As of 31 December 2005, there were 75 pending recovery decisions. Germany makes up 35% of the total while Spain, Italy and France combined account for a further 53% of all pending recovery cases. There are no pending cases in fourteen of the EU-25 Member States.

The total amount of aid to be recovered since 2000 is € 8.6 billion. Of this figure, some € 6.0 billion (i.e. 71% of the total amount) had been effectively recovered by the end of December 2005. In addition, € 2.1 billion of recovery interests had been recovered and a further € 139 million of aid was lost in bankruptcy proceedings.

⁵ Included in this category are cases withdrawn by the Member State during the investigation procedure.

INTRODUCTION

This update of the State aid Scoreboard aims to present the State aid situation in the current Accessing Countries (Bulgaria and Romania). It also provides an overview in relation to State aid in the Candidate countries (Croatia, Turkey and The Former Yugoslav Republic of Macedonia) and in the Potential Candidate Countries (Albania, Bosnia and Herzegovina, Serbia and Montenegro, and Kosovo under UN Security Council Resolution 1244). It draws on material provided by Accessing Countries in the context of a major inventory and data gathering exercise in 2005 as well as the annual reports on State aid transmitted by the Accessing, Candidate and Potential Candidate Countries in accordance with Europe Agreements or Stabilization and Association Agreements.

This spring 2006 update of the Scoreboard is divided into four main parts. Part One focuses on enlargement and has three sections: Accessing Countries, Candidate Countries and Potential Candidate Countries. The section on Accessing Countries attempts, with all the necessary caveats, to compare the State aid amounts in Bulgaria and Romania in 2002-2004 with the average of new Member States and EU-25. It presents the overall level of State aid, the sectors to which aid is directed and the use of various aid instruments.

The Part Two describes the progress in legislative and policy developments in State aid field since autumn 2005. The Part Three provides a statistical overview of State aid measures falling under five block exemption regulations (block exemptions for aid to SMEs, training aid, employment aid, aid to SMEs in the agricultural sector and certain types of aid in the fisheries sector). Part Four provides an overview on State aid procedures and recovery in 2005.

In addition to this paper edition, a permanent online Scoreboard consisting of a series of key indicators and a range of statistical information for the EU Member States is available on the on the homepage of the Competition Directorate General's Internet site (http://europa.eu.int/comm/competition/state_aid/scoreboard/).

The autumn 2006 Scoreboard will cover State aid awarded in EU-25 in 2005.

1. PART ONE: FOCUS ON ENLARGEMENT

1.1. Acceding countries: Bulgaria and Romania

1.1.1. Enlargement Process

The fifth enlargement of the EU which started in 1 May 2004 with the accession of ten new Member States will be completed by the accession of Bulgaria and Romania. The accession negotiations with these two countries were opened at the same time with Latvia, Lithuania, Malta and Slovak Republic following to the Helsinki European Council of December 1999.

In order to prepare associated countries for accession to the EU, the Association agreements (also known as Europe Agreement or Stabilisation and Association Agreement) are concluded between an interested country and the EU and its Member States. Association agreements are mainly considered as free trade agreements but require associated countries also to develop a functioning market economy. The Europe Agreements for Bulgaria and Romania entered into force in February 1995. Under the Agreements, the partner countries commit themselves to approximating their legislation to that of the EU, particularly in the areas relevant to the internal market. The Agreements therefore contain the main substantive competition rules which apply in areas where trade between the EU and a partner country is affected. As regards State aid, the 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.

To join the Union, all Candidate countries need to fulfil the accession criteria which were laid down in the conclusions of the Copenhagen European Council in 1993. One of the requirements is the existence of a functioning market economy and capacity to cope with competitive pressures and market forces within the EU. This ‘economic criterion’ is the basis for the competition negotiations. It is important to ensure that companies in the candidate countries are able to withstand the competitive pressures of the internal market without distortive state subsidies which were extensively used in planned economies.⁶ This broadly defined criterion was translated by EU into three elements that must be in place in a candidate country before the competition negotiations can be provisionally closed: the necessary legislative framework with respect to antitrust and State aid; an adequate administrative capacity (in particular, a well-functioning competition authority); and a credible enforcement record of the *acquis* in all areas of competition policy.

To evaluate whether these requirements are met, the Commission carries 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 enables the Commission and the Council to assess the degree to which the competition discipline is already being enforced in the Candidate countries.

⁶ For additional background on the transition from centrally planned to market economies see autumn 2004 update of the State aid Scoreboard, COM(2004) 750 final
http://europa.eu.int/comm/competition/state_aid/scoreboard/2004/autumn_en.pdf

1.1.2. Current state of play regarding negotiations

On 25 April 2005 the Accession Treaty with both Romania and Bulgaria was signed. A series of safeguard clauses were included in the Accession Treaty, in the event the acceding countries fail to implement commitments undertaken in the context of the accession negotiations. According to the Commission's comprehensive monitoring report on the state of preparedness for EU membership published in October 2005⁷, both Bulgaria and Romania have continued to make progress in adopting and implementing EU legislation and have reached a considerable degree of alignment. Romania was called upon to make increased efforts in the area of competition policy as regards in particular the enforcement of State aid rules. The Commission will continue to monitor progress intensively up to accession and intends to present a monitoring report to the Council and Parliament in April/May 2006. At that moment, the Commission may recommend that the Council postpone the accession of Bulgaria or Romania until 1 January 2008 if there is a serious risk of any of those states being manifestly unprepared to meet the requirements of membership by January 2007 in a number of important areas. In the case of Romania, the Treaty specifies that the Council may, on the basis of a Commission recommendation and after a detailed assessment decide on such a postponement, if it finds shortcomings in Romania's fulfilment of specific conditions in the competition area.

No existing aid measures have been attached to the Accession Treaty of Romania, nor will the interim procedure be applied until the Commission concludes that Romania's State aid enforcement record has reached a satisfactory level. In the case of Bulgaria, three measures have been annexed to the Accession Treaty that shall be thus regarded as existing aid upon accession. In October 2005, Bulgaria submitted its first request to the Commission under the interim procedure pursuant to Annex V § 2.1(c) of the Accession Treaty.

1.1.3. National legislation for State aid

Bulgaria

In Bulgaria, State aid is governed by the following legislative acts: the State aid Act (entered into force in June 2002), the Rules on the Implementation of the State aid Act and the Ordinance No 6⁸ on the procedure for monitoring and ensuring transparency of State aid.

In its Comprehensive Monitoring Report⁹, the Commission considered that Bulgaria has adopted the necessary State aid legislation and implementing rules to cover the main principles of the *acquis*.

⁷ Bulgaria 2005 Comprehensive Monitoring Report, 25 October 2005, SEC (2005) 1352, {COM (2005) 534 final}.

Romania 2005 Comprehensive Monitoring Report, 25 October 2005, SEC (2005) 1354, {COM (2005) 534 final}.

⁸ Amended by Ordinance No 3 of the Minister of Finance of 2004

⁹ Bulgaria 2005 Comprehensive Monitoring Report, 25 October 2005, SEC (2005) 1352, {COM (2005) 534 final}.

Romania

Competition Law No 21/1996¹⁰ lays down the framework for State aid control in Romania and entrusts the Competition Council with certain powers in this field. The State aid Law¹¹ determines the notion of State aid and defines the modalities of authorising, granting, controlling, inventorying, monitoring and reporting on State aid. On the basis of these two laws, the Competition Council has adopted secondary legislation, i.e. regulations and guidelines, which lay down detailed rules for the application of the State aid Law. The Comprehensive Monitoring Report on Romania¹² notes that legislative alignment is complete.

1.1.4. State aid monitoring authorities

Bulgaria

The Commission for the Protection of Competition (CPC) controls State aid (enforcement). The State aid Department of the Ministry of Finance is responsible for the monitoring and reporting of State aid.¹³

The 2005 Comprehensive Monitoring Report on Bulgaria notes that the necessary implementing structures and the administrative capacity of both the CPC and the State Aid Department of the Ministry of Finance have been steadily improving, but this process needs to continue. The CPC's expertise in the field of State aid continues to show improvement. Efforts have been made, but need to continue, as regards training of the authorities and the judiciary, cooperation within the administration, and public awareness activities. A plan for State aid coordination upon accession is needed, ensuring that current know-how is not lost.

Romania

State aid control is entrusted exclusively to the Competition Council which is an autonomous authority consisting of seven members, appointed for a 5 year term by the President of Romania, pursuant to the proposal of the Government. The Council members are required to be independent in their decision-making. Within the Council there is a State Aid Monitoring department which includes a monitoring network with 41 regional offices, composed of 86 competition inspectors. They are entrusted with State aid and other competition matters.¹⁴

¹⁰ The Competition Law No 21/1996, published in the Official Gazette of Romania, Part I, No 88/30.04.1996, amended by Government Emergency Order (OUG) No 121/2003, published in the Official Gazette of Romania No 461/24.05.2004 and approved by Law 184/2004, published in the Official Gazette of Romania, Part I No 461/24.05.2004

¹¹ State Aid Law No 143/1999, adopted on 27.07.1999, in force since 1.01.2000, published in the Official Gazette of Romania Part I No 370/3.08.1999; completed and modified by Government Emergency Order (OUG) 97/16.08.2002; Order 251/23.12.2002; lastly considerably amended by Law 603/22.12.2003, published in the Official Gazette of Romania, Part I No 930/23.12.2003, and Ordinance 94/26.08.2004, published in the Official Gazette of Romania Part I No 803/31.8.2004.

¹² Romania 2005 Comprehensive Monitoring Report, 25 October 2005, SEC (2005) 1354, {COM (2005) 534 final}

¹³ For more information see the website www.stateaid-bg.org.

¹⁴ For more information see the website <http://www.competition.ro>.

1.1.5. Enforcement record and problem areas

Bulgaria

During 2004, the CPC took 59 decisions on an ad hoc basis: 12 were considered as not constituting State aid or qualified as de minimis aid, 43 cases were compatible while the remaining 4 cases were not compatible.

The Comprehensive Monitoring Report on Bulgaria recognizes that the State aid enforcement record of the CPC has improved considerably, both with regard to scope and quality, but it is essential to continue this process, and also to continue improving the follow-up to decisions. Efforts have been made, but need to continue, to ensure conformity with the notification obligation and a comprehensive application of State aid rules, not least in relation to indirect aid and privatisations. An alignment of schemes for fiscal aid and deferrals has taken place, but the application of these rules must be subject to strict monitoring. As regards the steel sector, a National Restructuring Programme (NRP) for the Steel Industry until 2007 has been adopted, and strict adherence to this programme must be ensured, in particular the commitment not to grant restructuring aid to the steel sector after 2005. There are indications of significant delays in the implementation of various obligations outlined in the NRP, and progress will have to be accelerated in order for the beneficiary company to achieve viability by the end of the restructuring period. As regards the energy sector, Bulgaria has committed to discontinue current aid to coal production and to district heating companies by the end of 2005.

Romania

During 2004, the Competition Council took 81 decisions and gave 34 opinions regarding State aid measures for all sectors excluding agriculture, fisheries and transport. Of these cases, 10 decisions concerned State aid schemes, 52 individual aid measures and 19 no aid decisions. The monitoring authority concluded that 33 aid measures were compatible, a further 27 were compatible under certain conditions and 2 cases were incompatible.

In order to improve the quality of the Competition Council's State aid enforcement record, a pre-consultation mechanism was established in September 2004, whereby the European Commission offers advice on draft decisions before their final adoption. This has resulted in a noticeable improvement in the quality of these decisions although further improvement in the quality of the Competition Council's assessment of aid measures and their analysis is necessary. Furthermore, attention needs to be given to following up the actual implementation of decisions.

Measures have been taken to ensure greater respect for the ex-ante notification obligation. The Competition Council initiated an inter-ministerial working group on State aid issues, and the Government set up a high level inter-ministerial task force to support the work of the Competition Council by ensuring that all State aid plans of all Ministries are notified and that existing schemes are also scrutinised. Continued efforts are required to ensure ex-ante notification of all new aid measures particularly in relation to restructuring cases, payment deferrals and measures in connection with privatisation. Knowledge and respect of State aid rules among aid granting authorities need to be further developed.

As regards State aid to the steel industry, in September 2005 Romania submitted its second monitoring report on the implementation of the National Steel Restructuring Strategy. During

2004, significant progress was achieved in this area though it was recognised that further and continued efforts should be focused on implementing the commitment not to grant any further State aid to the sector as well as implementing the other restructuring conditions and obligations.

1.1.6. Overview of the State aid situation in Bulgaria and Romania

This section provides an overview of the State aid in Bulgaria and Romania over the period 2002-2004. The figures are presented in comparison to the overall EU average and in particular to the ten new Member States, which were recognized as candidate countries at the same time as Bulgaria and Romania (see section 1.1.1 on Enlargement process).

1.1.6.1. State aid in absolute and relative terms

Over the period 2002-2004, total State aid¹⁵ granted annually was estimated at €65 million for Bulgaria and €981 million for Romania.

Table 1: State aid in Bulgaria, Romania and other 5th enlargement countries, 2002-2004

	EU25	EU 15	New MS	BG	RO	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK
Total State aid less agriculture, fisheries and transport in million €	48991	42717	6274	65	981	1826	9	231	15	43	808	139	2902	135	167
State aid as percentage of GDP (%)	0.49	0.45	1.35	0.36	1.86	2.23	0.10	1.96	0.14	0.26	1.08	3.27	1.44	0.54	0.57
Population (million)	450.6	376.5	74.1	7.8	21.7	10.2	1.4	0.7	2.3	3.4	10.1	0.4	38.2	2.0	5.4
State aid per capita (PPS)	109	109	161	23	118	336	11	368	13	26	136	514	158	92	59

In relative terms, State aid may be expressed as a percentage of Gross Domestic Product (GDP) or as a per capita measure. In Bulgaria, total State aid represented 0.36% of GDP which was significantly lower than the average for the ten new Member States (1.35%) and indeed lower than the EU-25 average (0.49%). In Romania, total State aid was significantly higher, representing 1.86% of GDP.

When aid is expressed in per capita terms, a different picture emerges with regard to Romania's relative position. When purchasing power standards (PPS)¹⁶ are used, Romania awarded significantly less aid than a number of other Member States: during the period 2002-2004, the annual average was 118 PPS per person in Romania as against 161 PPS per person on average in the ten new Member States. Bulgaria granted much less: its level of 23 PPS per capita places it around the same level as the Baltic States.

1.1.6.2. Sectoral distribution of aid

Over the period 2002-2004, Bulgaria granted 70% of its total State aid¹⁷ to manufacturing, 5% to coal and 25% to other non-manufacturing¹⁸ which largely consist of aid for district heating companies and the mining industry.

¹⁵ Total State aid less agriculture, fisheries and transport.

¹⁶ 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.

¹⁷ Total State aid less agriculture, fisheries and transport.

Over the same period, Romania granted around 65% of its aid to manufacturing, followed by aid to the mining industry (21%) and coal (11%).

Table 2: Sectoral distribution of State aid less agriculture, fisheries and transport, 2002-2004

	% of total				Million €
	Manufacturing	Services (including tourism, financial, media and culture)	Coal	Other non-manufacturing	Total
EU-25	70	14	15	1	49064
EU-15	74	12	13	1	42790
New MS	46	25	28	1	6274
BG	70	0	5	25	65
RO	65	1	11	23	981

1.1.6.3. State aid by objective

Aid to support specific sectors is likely to distort competition more than aid for horizontal objectives such as R&D, safeguarding the environment, regional development and support to SMEs 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, which is inevitable in the transition from planned to market economies and in case of privatization of companies in difficulty.

During the period 2002-2004, Bulgaria granted 45% of total State aid for horizontal objectives while Romania granted only 13%. These shares of horizontal aid are rather low in comparison to 68% in the EU-25 though they are more in line with the average in the new Member States of 23%. The disparity with the EU-15 Member States can be explained in part by the relatively strong support of several industries (e.g. coal, mining, steel and other manufacturing industries) before accession in the context of privatisation or to ensure viability.

¹⁸ Other non-manufacturing includes sectors such as electricity, gas and water supply, mining and quarrying, oil and gas extraction, real estate, renting and business activities etc.

Table 3: State aid for horizontal objectives and particular sectors in the Acceding Countries, 2002-2004

	Annual averages					
	EU-25	New MS	BG		RO	
	%	%	mio €	%	mio €	%
Horizontal Objectives	68	23	29.4	45	130.3	13
Environment	19	2	0.6	1	9.6	1
SME	11	3	0.3	1	20.1	2
Employment aid	3	5	9.6	15	13.3	1
Regional aid (1)	18	8	18.9	29	87.4	9
Sectoral aid (2)	32	77	35.8	55	851.0	87
Manufacturing	7	25	16.5	25	538.6	55
<i>of which shipbuilding</i>			-	-	11.3	1
<i>of which steel</i>			6.5	10	132.9	14
<i>of which motor vehicles</i>			-	-	46.3	5
Coal	15	28	3.2	5	103.0	11
Other Non-manufacturing	1	1	16.1	25	205.4	21
Other services	1	0	-	-	3.9	0
Total aid less agriculture, fisheries and transport in million €	100	100	65.1	100	981.2	100

Note: All figures are expressed in euros at 2004 constant prices so that the effects of inflation are removed. (1) Aid for general regional development not elsewhere classified (2) Aid for specific sectors awarded under measures for which there was no horizontal objective as well as aid for rescue and restructuring.

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 decided to extend this status for another five years with respect to Bulgaria, Romania, Lithuania and Estonia. The Association Committees adopted regional aid maps, which will expire on 31 December 2006, with respect to Romania (in 2003) and Bulgaria (in 2004). Both countries continue 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.

1.1.6.4. State aid instruments in the manufacturing and services sectors

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.

Table 4: Share of each aid instrument in total aid to manufacturing and services, 2002-2004

	Grants	Tax exemptions	Equity participations	Soft loans	Tax deferrals	Guarantees
EU-25	48.1	32.3	1.3	5.0	3.1	10.2
EU-15	51.7	31.6	1.0	5.3	3.3	7.1
New MS	18.4	37.5	4.1	2.4	1.6	35.9
BG	42.7	36.6	0.1	1.0	17.8	1.8
RO	23.7	29.4	1.2	0.0	45.4	0.3
CZ	10.6	3.0	3.9	0.7	0.0	81.8
EE	77.9	0.0	0.0	0.4	0.0	21.6
CY	24.2	71.6	0.0	0.0	0.0	4.2
LV	16.8	69.0	2.6	7.9	0.0	3.7
LT	8.3	81.1	3.0	1.9	5.8	0.0
HU	34.4	63.7	0.5	0.1	0.0	1.3
MT	20.0	47.8	0.0	20.9	5.7	5.6
PL	14.8	58.3	8.1	5.1	5.2	8.6
SI	59.7	31.1	1.1	4.7	0.0	3.4
SK	15.0	76.6	6.8	0.0	0.0	1.5

In Bulgaria, during the period 2002-2004, the most popular aid instrument was a grant (42.7% of total aid), followed by tax exemptions (36.6%) and tax deferrals (17.8%). Guarantees, soft loans and equity participation each amounted to less than 2% of total State aid. In Romania during this period, the most widely used aid instrument was a tax deferral (45.4%) followed by tax exemptions (29.4%) and grants (23.7%).

1.2. Candidate Countries

EU Member States decided in Luxembourg on 3 October 2005 to launch accession negotiations with Croatia and Turkey. The advancement of the negotiations will be guided by the candidate countries' progress in preparing for accession. Progress will be measured in particular against the Copenhagen criteria (see section 1.1.1.). For each chapter of the negotiations, the Council must lay down benchmarks for the provisional closure of negotiations, including a satisfactory track record on implementation of the acquis. Existing legal obligations relating to alignment with the acquis must be fulfilled before negotiations on the chapters concerned are closed. Long transition periods may be necessary. Issues relating to competition and State aid will be dealt in a separate chapter during the negotiations.

TURKEY

Association Agreement between EU and Turkey

Turkey made its first application to join what was then the EEC in July 1959. This led to the creation of an association agreement (Ankara Agreement) between the EEC and Turkey in September 1963. This Agreement envisaged the progressive establishment of a customs union which was established in 1995 together with a Free Trade Agreement between the ECSC and Turkey.

State of play of negotiations

In 1987, Turkey applied for full membership. At the Helsinki European Council of December 1999 Turkey was officially recognised as a candidate state and the formal opening of accession negotiations with Turkey took place on 3 October 2005.

State aid monitoring authority, legislation and monitoring system

There is as yet no operationally independent State aid monitoring authority, no State aid legislation has been adopted and there is no regular annual reporting.

Progress and problem areas

The issue of State aid has been raised systematically by the Commission in its regular reports on Turkey's progress towards accession. Already in the 2000 report¹⁹ the need to establish a State aid authority was indicated as there was no single authority responsible for carrying out State aid control by systematically assessing the compatibility of aid with the Community acquis. Accordingly, no enforcement record has been established. The Commission also called for an increase of transparency through the establishment of an inventory of existing State aid and regular annual reporting.

To date, no significant progress has been made with regard to the adoption of State aid legislation or the establishment of a State aid monitoring authority. This is hindering the proper implementation of competition rules, resulting in potential competition infringements in markets via the allocation of public resources.

In the 2004²⁰ report an additional problem of State aid for steel restructuring was indicated – Turkey requested the prolongation of the period in which restructuring aid may be granted to the steel industry²¹. In order for the EU to consider the request it was agreed that, the Turkish authorities had to submit an acceptable National Restructuring Programme (NRP) for the steel sector providing appropriately detailed information and individual business plans for all companies involved in the restructuring process. The EU had provided technical assistance to establish a NRP which has been concluded in spring 2005. However, the NRP has not yet been adopted by the government. So far, the Turkish authorities have not even ensured a satisfactory level of transparency on State aid granted to the sector. Only one law, related to investment allowance, has been notified to the Commission, in April 2005.

As a consequence, there is still significant work to be done in the field of State aid. In its Decision of 23 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with Turkey²², the Council set for Turkey the following short term priorities in the field of State aid: to align with the acquis concerning State aids, including in sensitive sectors such as steel, establish a national State aid monitoring authority and ensure a strict control of State aids; and to ensure transparency and continuous exchange of information.

¹⁹ http://europa.eu.int/comm/enlargement/report_11_00/pdf/en/tu_en.pdf

²⁰ COM (2004) 656 final

²¹ http://europa.eu.int/comm/enlargement/report_2004/pdf/rr_tr_2004_en.pdf

²² Under specific conditions defined in the 1996 ECSC Turkey Free Trade Agreement

²² OJ L 22, 26.01.2006

http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_022/l_02220060126en00340050.pdf

CROATIA

Stabilisation and Association Agreement

Croatia was the second country after the Former Yugoslav Republic of Macedonia to sign a Stabilisation and Association Agreement with the EU on 29 October 2001. This agreement entered into force on 1 February 2005²³.

State of play of negotiations

Croatia presented its application for EU membership on 21 February 2003. In its Opinion²⁴, published on 20 April 2004, the Commission concluded that in general Croatia could be regarded as a functioning market economy. However it was stressed that Croatia should make all necessary effort to remove remaining weaknesses. The Commission listed competition as one of the areas where Croatia would have to make considerable and sustained efforts to align its legislation with the *acquis* and to effectively implement and enforce it.

In the light of these considerations, the European Council of June 2004 subsequently decided that Croatia was a candidate country and EU Member States agreed in Luxembourg on 3 October 2005 to launch accession negotiations with Croatia.

State aid legislation

The first State aid legislation in Croatia was the State Aid Act which entered into force on 2 April 2003. On the basis of this Act and a subsequent Regulation, the Competition Council adopted the Ordinance on the form and content of notifications, method of data collection and keeping the State aid register.

On 6 December 2005 a new State Aid Act came into force which replaced the previous one.²⁵ The new provisions of the State aid Act have increased the competences of the Croatian Competition Agency (CCA), improved the State aid monitoring system and enabled the CCA to recover unlawful State aid.

State aid monitoring authority

The CCA was established in early 1997 though State aid control only became one of its tasks in 2003. The managing body of the CCA is the Competition Council, consisting of five members, of which one is the appointed president of the Council. The CCA administrative capacity has been developed recently but is still under-resourced.

State aid monitoring system

Legislative proposals involving State aid have to be submitted to the CCA for its prior opinion, before being sent to the Government or the Parliament. This opinion is binding on the Government, but may be overturned by the Parliament. However, it remains to be seen to

²³ The Interim Agreement, including provisions on competition and state aid entered into force 1 March 2002. The Interim Agreement was signed in order to allow the early entry into force of the trade and trade-related provisions of the SAA.

²⁴ COM(2004) 257 final, http://europa.eu.int/comm/enlargement/croatia/pdf/cr_croat.pdf

²⁵ The English version of the Act is available on the CCA website:
http://www.crocompet.hr/e_index.asp

what extent the Parliament will make use of this possibility. All proposals for granting State aid must also be submitted to the Competition Agency for prior authorisation.

According to the Commission's 2005 Progress report²⁶, the CCA has started to develop a State aid enforcement record. In 2004, the Agency concluded 27 State aid cases (decisions and opinions). Whereas most cases resulted in approvals, there was one finding of incompatible aid and five findings of conditionally compatible aid. According to the report, enforcement needs to be strengthened considerably, both in relation to its scope and the carrying out of economic and legal assessment. In addition, there is a problem of aid grantors not respecting the notification obligations or providing sufficient cooperation to the Competition Agency.

Progress and problem areas

The progress report also indicates the following problems regarding State aid issues in specific sectors:

- fiscal aid – the fiscal aid regime, especially the Profit Tax Act, Investment Promotion Act and Free Zones Act need to be urgently aligned with State aid rules.
- regional aid - Croatia has to submit a proposal for a regional aid map;
- shipbuilding sector – viable restructuring plans need to be urgently adopted in order to comply with State aid rules and in view of the importance of the industry in Croatia;
- steel sector – Croatia has not fulfilled its obligation under the SAA and the Interim Agreement to establish a restructuring programme for its steel industry by March 2004 at the latest. Given the continued State aid provided to both sectors, these programmes need to be urgently adopted in order to comply with State aid rules and with SAA obligations.

In general, there is a need for a full review of legislation and of other sector-specific aid, including aid to the textile industry and for tourism.

In its Decision of 20 February 2006 on the principles, priorities and conditions contained in the Accession Partnership with Croatia, the Council set for Croatia the following short term priorities in the field of State aid²⁷:

- Ensure further alignment of primary and secondary legislation so as to allow effective State aid control with binding decisions for both aid schemes and individual aid measures.
- Strengthen the administrative capacity and the independence of the Competition Agency, ensure the development and training of the judiciary in competition matters.
- Strengthen the State aid enforcement record, in particular by ensuring respect of notification obligations and a proactive assessment of all aid measures.

²⁶ COM (2005) 561 final of 9.11.2005
http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1424_final_en_progress_report_h r.pdf

²⁷ OJ L 055, 25.02.2006
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_055/l_05520060225en00300043.pdf

- Ensure that existing aid schemes and all fiscal legislation are aligned with the State aid *acquis*.
- Adopt and start implementing viable restructuring programmes in the steel and shipbuilding sectors, in line with EU requirements.
- Ensure transparency of State aid by establishing a comprehensive inventory and reporting of all aid measures in force at all administrative levels and raise awareness of competition principles.

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Stabilisation and Association Agreement

The Former Yugoslav Republic of Macedonia signed a Stabilisation and Association Agreement (SAA) on 9 April 2001 as the first Western Balkan country. It entered into force on 1 April 2004.

State of play of negotiations

A formal application for EU membership was submitted on 22 March 2004. In its opinion on the application of 9 November 2005, the Commission recommended that the Council should grant the status of candidate country to the Former Yugoslav Republic of Macedonia which the Council duly did on 17 December 2005. The Commission considers that negotiations for accession should be opened once the country has reached a sufficient degree of compliance with the membership criteria.

State aid legislation

- In April 2003 the State Aid Law was passed, followed by three implementing regulations in December 2003²⁸

The government's Manual of Procedures imposes on all government agencies and departments a duty to notify all envisaged aid measures to the State Aid Commission (SAC), although in practice this rule appears to be observed only partially. In the future, the country will need to adopt rules for horizontal aid measures, as well as a methodology for setting the level of compensation for companies entrusted with the performance of services of general economic interest.

State aid monitoring authority and monitoring system

The State aid Law established in June 2003 a State Aid Commission (SAC) which is authorized to supervise all types of State aid. The Commission's 2005 'Analytical Report'²⁹ raised concerns about SAC's ability to enforce the State aid rules effectively and

²⁸ Regulations on i) the procedure for submitting a report to the State Aid Commission, ii) determining the conditions and procedures for granting aid for recovery and restructuring of enterprises in difficulty and iii) determining the conditions and procedures for granting regional aid. Official Gazette of the Former Yugoslav Republic of Macedonia No 24/2003 and 81/2003

²⁹ Analytical Report for the Opinion on the application from the Former Yugoslav Republic of Macedonia for EU membership. COM (2005) 562 final of 9.11.2005
http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1425_final_en_analytical_report_mk.pdf

independently given, for example, that the three members of the SAC hold full-time positions as officials of ministries and have to perform their tasks as Commissioners in addition to these positions. Considerable efforts will be needed to strengthen the institutional capacity of the SAC.

The SAC is obliged to submit an annual report on State aid granted in the course of the previous year to the Government by 31 March. This report should contain all the information concerning SAC decisions, the total amount of aid and its distribution. The report is submitted annually to the European Commission.

Progress and problem areas

In addition to the above mentioned shortcomings, the Commission's 'Analytical Report'³⁰ stresses that substantial work will need to be undertaken to ensure that the country's industrial policies are made compatible with the State aid rules. There is also a problem with a high degree of evasion of social security contributions and taxes. The widespread and systematic non-payment of social security contributions and taxes by many industrial companies leads to unfair competition and is not acceptable in a territory which is to be integrated into the internal market. In its Decision of 30 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with the Former Yugoslav Republic of Macedonia and repealing Decision 2004/518/EC³¹, the Council set the following short term priorities in the field of State aid:

- establish a credible enforcement record and ensure the independence of the State Aid Commission, providing it with adequate staff and premises;
- establish a comprehensive inventory and reporting of all aid measures in force;
- further align the legislation with the EU State aid rules;
- raise awareness among government institutions and the business sector.

Finally, the Former Yugoslav Republic of Macedonia has also a steel industry, which was restructured under a national restructuring program through privatization, which did however not provide for the granting of State aid.

1.3. Potential Candidate Countries

The Stabilisation and Association Process remains the framework for the Western Balkan countries, all the way to their future accession. Formal contractual relations between the EU and those countries have been (and are being) established through Stabilisation and Association Agreements (SAA). Similar to the "Europe Agreements" with previous candidate countries, the SAA provides the contractual framework for relations between the EU and a Western Balkan country and helps to prepare each country for future membership by introducing EU rules in various fields well in advance of accession.

³⁰ COM (2005) 562 final
http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1425_final_en_analytical_report_mk.pdf

³¹ OJ L 35, 7.02.2006
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_035/l_03520060207en00570072.pdf

So far, Croatia and the Former Yugoslav Republic of Macedonia have SAAs in force. Albania is close to finalising such an agreement, while Serbia and Montenegro and Bosnia and Herzegovina have just opened SAA negotiations.

ALBANIA

Stabilisation and Association Agreement

Following the EU decision in June 2001 to proceed with SAA negotiations with Albania, negotiations were officially opened on 31 January 2003. The Commission's Enlargement Strategy Paper of November 2005³² found that Albania's reform progress paved the way for the conclusion of SAA negotiations.

State aid legislation, monitoring authority and monitoring system

In April 2005, the Law on State aid was adopted, incorporating the principles of EU State aid rules. Work has started on the drafting of implementing rules.

A new State Aid Department was established in March 2004 within the Ministry of Economy. The Department has increased its staff and employs seven experts.

Progress and problem areas

According to the Commission's Albania 2005 Progress Report³³, Albania has taken important legislative and administrative steps in establishing structures to regulate competition and State aid. However efforts are needed to ensure that State aid and competition issues are covered by consistent and complementary legislation and that an operationally independent State Aid Authority is established as foreseen in 2006.

In its Decision of 30 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with Albania and repealing Decision 2004/519/EC³⁴, the Council set the following short term priorities in the field of State aid:

- adopt implementing legislation on State aid;
- establish an operationally independent State aid authority;
- ensure progress towards the completion of a comprehensive State aid inventory.

³² Communication from the Commission 2005 enlargement strategy paper, COM (2005) 561 final, http://europa.eu.int/comm/enlargement/report_2005/pdf/package_v/com_561_final_en_strategy_paper.pdf

³³ COM (2005) 561 final of 9.11.2005
http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1421_final_en_progress_report_a1.pdf

³⁴ OJ L 35, 7.02.2006
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_035/l_03520060207en00010018.pdf

SERBIA AND MONTENEGRO including KOSOVO³⁵

Stabilisation and Association Agreement

On the basis of a Feasibility Report³⁶ in which the Commission concluded that Serbia and Montenegro was sufficiently prepared to negotiate an SAA, the Union opened negotiations on a Stabilisation and Association Agreement with both Republics in October 2005.

SERBIA

State aid legislation, monitoring authority and monitoring system

State aid legislation has not been adopted. Serbia has established structures within the Ministry of Finance in order to monitor State aid and prepare for a control regime. However, there is no operationally independent State Aid Authority. On 9 September 2004, the Serbian Government passed a Resolution which empowered the Ministry of Finance to set up and manage a Working Group. The task of the Group was to draw up an inventory of forms and types of State aid granted in 2004. The Group proposed that the Serbian Government, pending the adoption of future regulations, require of all Ministries and Funds to maintain records of disbursed State aid and, where necessary, to present such records to competent authorities upon request. A first State aid report, covering 2003 and part of 2004, was adopted and submitted to the European Commission.

MONTENEGRO

State aid legislation, monitoring authority and monitoring system

State aid legislation has not been adopted, but is in preparation. A Monitoring team to supervise and monitor State aid was established within the Ministry of Finance on 24 March 2005. There is no operationally independent State Aid Authority. A Report on State aid is prepared by the Monitoring team. A first State aid report, covering 2003 and part of 2004, was adopted and submitted to the European Commission.

Progress and problem areas in Serbia and Montenegro

According to the 'Serbia and Montenegro 2005 Progress Report'³⁷, Montenegro and Serbia need to strengthen their new State aid structures and ensure full transparency, by establishing a comprehensive aid inventory and reporting system for all aid measures in force, based on an EU-harmonised State aid definition. Gradually, each Republic will also need to set up a system of ex-ante control of all new aid measures and alignment of existing aid measures, through an operationally independent State aid authority, with the power to authorise or prohibit all aid measures and to order recovery of unlawfully granted aid.

³⁵ Kosovo as defined by the UNSCR 1244.

³⁶ 12 April 2005 and endorsed by the Council on 25 April 2005

³⁷ COM (2005) 561 final of 9.11.2005

http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1428_final_en_progress_report_cs.pdf

In its Decision of 30 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2004/520/EC³⁸, the Council set the following short term priorities in the field of State aid: to strengthen State aid coordination points and create full State aid transparency, as a first step towards State aid control.

KOSOVO

State of play of negotiations

As confirmed by the Thessaloniki Summit in June 2003, Kosovo is firmly anchored in the framework of the Stabilisation and Association Process. On 14 June 2004 the Council adopted a European Partnership with Serbia and Montenegro including Kosovo as defined by the UNSCR 1244. The On 20 April 2005 the Commission adopted a Communication on Kosovo³⁹ in which it concluded that the possibility of negotiating a fully fledged SAA with Kosovo was not on the table at present.

Progress and problem areas

According to the Commission's 2005 Progress Report⁴⁰ United Nations Mission in Kosovo Regulation 2004/44 of October 2004 on the Law on Competition defines competition policy for Kosovo and takes a first step towards the development of a sound market economy in Kosovo by prohibiting acts that restrict, suppress or distort competition. The Law provides for the establishment of a Kosovo Competition Commission.

BOSNIA AND HERZEGOVINA

Stabilisation and Association Agreement

On 21 October 2005 the Commission recommended the opening of negotiations for a SAA to the Council. These negotiations were officially opened on 25 November 2005.

State aid legislation, monitoring authority and monitoring system

There is no authority responsible for overseeing State aid granted in the country and no adequate legislation has yet been adopted. There is also no progress in compiling a comprehensive inventory of State aid schemes.

³⁸ OJ L 35, 7.02.2006

http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_035/l_03520060207en00320056.pdf

³⁹ 'A European Future for Kosovo' COM(2005) 156 final

http://europa.eu.int/comm/enlargement/docs/pdf/COMM_PDF_COM_2005_0156_F_EN_ACTE.pdf

⁴⁰ COM (2005) 561 final of 9.11.2005

http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1423_final_en_progress_report_k_s.pdf

Progress and problem areas

In addition to the above mentioned problems the Commission's 2005 Progress Report⁴¹ states that as regards State aid, little progress can be noted. According to the Bosnia and Herzegovina authorities, no State aid is provided at State-level. However, the two Entities continue to provide public assistance, either to companies or sectors.

In its Decision of 30 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with Bosnia and Herzegovina and repealing Decision 2004/515/EC⁴², the Council set the following short term priorities in the field of State aid: adopt the necessary legislation on competition and State aid, and align the already existing legislation with EU competition and State aid rules.

2. PART TWO: LEGISLATIVE AND POLICY DEVELOPMENTS

2.1. State Aid Action Plan

In June 2005, the Commission launched a State Aid Action Plan⁴³ outlining the guiding principles for a comprehensive reform of State aid rules and procedures over the next five years. The consultation process, which ended in September, attracted comments from more than 130 interested parties⁴⁴. The Economic and Social Committee, the Committee of the Regions and the European Parliament⁴⁵ also made comments. Having assessed the results of the consultation, the Commission has begun to implement the various aspects of the Action Plan, including drawing up future rules.

The Commission aims to adopt a future R&D and Innovation Framework and new Risk Capital Guidelines around the summer of 2006, a general block exemption regulation at the beginning of 2007, and Environmental Aid Guidelines in 2007. On 9 March 2006 Commission adopted the draft Block Exemption Regulation on *de minimis* aid⁴⁶, which proposes to replace the current *de minimis* aid regulation 69/2001⁴⁷.

⁴¹ COM (2005) 561 final
http://europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1422_final_en_progress_report_b_a.pdf

⁴² OJ L 35, 7.02.2006
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2006/l_035/l_03520060207en00190031.pdf

⁴³ COM(2005) 107 final, 7.6.2005,
http://europa.eu.int/comm/competition/state_aid/others/action_plan/

⁴⁴ http://europa.eu.int/comm/competition/state_aid/others/action_plan/consult.html
Press Release - IP/06/144 - 09.02.2006

⁴⁵ The European Parliament's Resolution on State aid reform 2005-2009, 14.02.2006 supports Commission plans to reform the State aid rules. The Parliament adopted a report by Gunnar Hökmark (EPP-ED, SE) which approves the Commission's aim of making State aid an instrument for growth and jobs as part of the Lisbon strategy.

<http://www.europarl.eu.int/omk/sipade3?PUBREF=-//EP//TEXT+TA+P6-TA-2006-0054+0+DOC+XML+V0//EN&L=EN&LEVEL=0&NAV=S&LSTDOC=Y&LSTDOC=N>
⁴⁶ http://europa.eu.int/comm/competition/state_aid/others/action_plan/dm_en.pdf

⁴⁷ Commission Regulation (EC) No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid, OJ L 10, 13.01.2001, pages 30-32

2.1.1. Guidelines on Regional Aid for 2000 -2013

The compatibility of regional aid with the EC Treaty is governed by the Commission's regional aid guidelines. The current guidelines were adopted in 1998 for an unlimited period of time. In April 2003, the Commission decided to apply these guidelines until 2006, and to proceed to their review for the period after 2006, "in due course in order to give the Member States and the Commission time before the end of 2006 to draw up, notify and approve the regional aid maps for the period after 1 January 2007". These new guidelines should apply for the whole of the next structural fund programming period, from 2007 to 2013.

Following an extensive consultation process, which began in April 2003, the Commission adopted the Guidelines on national regional aid on 21 December 2005⁴⁸.

2.1.2. Draft Block Exemption Regulation for Regional Investment Aid

On 21 December 2005 the Commission adopted a draft Block Exemption Regulation for regional investment aid⁴⁹, which is envisaged to be adopted before the end of 2006. The objective of the draft Regulation is to simplify administrative procedures for Member States, while reinforcing transparency and legal certainty. The Regulation would exempt the Member States from notifying, once their regional aid map for the period 2007-2013 is adopted, all transparent regional investment aid schemes which fulfil the criteria of the Regional aid guidelines and respect the maximal intensities as laid down in their regional State aid map.

2.1.3. Communication on State Aid to Export-Credit Insurance

In December 2005, the Commission published a Communication⁵⁰ amending the 1997 communication on the application of the State aid rules to short-term export-credit insurance ("STEC")⁵¹ expired on 31 December 2005. The Commission has decided to extend the validity of the 1997 Communication until 31 December 2010. The Commission left unchanged the definition of marketable risks contained in the 2001 amendment of the communication. However, due to the fact that in most Member States there is unavailable or insufficient cover of export-credit insurance offered by private insurers to micro and small companies with a limited export turnover, the Commission services have proposed to consider their export-related risks, if and to the extent the private market in the Member States does not currently exist, as temporarily non-marketable, also in consideration of the need for the private market to adapt to the increased market size created by the EU enlargement.

2.1.4. Review of the R&D Framework and Innovation

The existing Community Framework for State Aid for Research and Development⁵² expired on 31 December 2005⁵³. In the State Aid Action Plan, the Commission decided "to consider if

⁴⁸ Published in the Official Journal C 54, 4.3.2006, p. 13.

⁴⁹ Draft text is published on DG Competition website:
http://europa.eu.int/comm/competition/state_aid/regional/

⁵⁰ OJ C 325 22.12.2005. Communication of the Commission to Member States amending the communication pursuant to Article 93(1) [now Article 87] of the EC Treaty applying Articles 92 and 93 [now Articles 87 and 88] of the Treaty to short-term export-credit insurance.

⁵¹ OJ C 281, 17.9.1997, as amended in OJ C 217, 2.8.2001, and OJ C 307, 11.12.2004.

⁵² OJ C 45 of 17.2.1996, as amended by the Commission communication amending the Community Framework for State Aid for Research and Development, OJ C 48 of 13.2.1998, p.2.

⁵³ OJ C 111, 8.5.2002.

the scope of the Framework for Research and Development should be extended to cover types of aid in favour of certain innovative activities, not already covered by existing guidelines or regulations thereby creating a Framework for R&D and Innovation⁵⁴.

Following the Commission's adoption of a consultation document on innovation, it was not possible to have a common framework for R&D and Innovation in place before the end of 2005. A first exchange of views with Member States should take place at the beginning of 2006, with a view to adoption of the future R&D and Innovation Framework around the summer of 2006. Accordingly, the Commission decided to apply the existing R&D framework until the entry into force of such a document, by 31 December 2006 at the latest⁵⁵.

2.2. State Aid to the Transport Sector

One of the main objectives of the common transport policy is the promotion of environmentally friendly modes of transport in order to achieve a reduction of road transport. For this purpose, two elements are essential.

First, Member states need to encourage cleaner modes of transport and measures to increase energy efficiency. This has been underlined in the Commission green paper on energy efficiency from May 2005 and in the proposal for a Commission directive to promote the purchase of clean vehicles by public authorities, adopted in December 2005. During the on-going revision of the guidelines for State aid for environmental protection, the Commission should pay particular attention to the promotion of clean transport and energy-efficient transport.

Second, the revitalisation of the railway sector is considered as a key element in the Community's common transport policy. Rail transport has to be made, once again, competitive enough to remain one of the leading players in the transport system in an enlarged Europe. By 2007, the entire European freight network, both internationally as nationally, will have been opened up completely to competition. The arrival of new railway companies should make the sector more competitive and encourage the national companies to restructure. In this context, specific guidelines for the railway sector will be developed in 2006 with a view to establishing a common approach to public contributions to the railway sector. It is necessary from both a legal and a political point of view that national authorities, companies and individuals are made aware, in a clear and transparent way, of the rules applicable to the railway sector in this new more competitive environment. This initiative will significantly increase transparency and legal certainty.

2.3. State Aid to the Agriculture Sector

On 8 February 2006 the Commission adopted a draft Commission regulation⁵⁶ with the objective of reviewing the existing State aid exemption Regulation concerning aid to agricultural small and medium-sized enterprises. The aim of the proposal is to simplify the

⁵⁴ Paragraph 28 of the State Aid Action Plan.

⁵⁵ OJ C 310, 8.12.2005.

⁵⁶ Draft regulation can be found:

http://europa.eu.int/comm/agriculture/stateaid/exemption/commprop_en.pdf

and Press Release on this proposal IP/06/134, 08/02/2006:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/134&format=HTML&aged=0&language=EN&guiLanguage=en>

administration of agricultural State aid and to facilitate crisis support. This proposal includes compensation for bad weather and animal and plant diseases in the present exemption regulation for State aid in the agriculture sector. This would greatly speed up the implementation of State aid in such situations of crisis for farmers. At the same time, the Commission proposes to significantly simplify the present regulation and encourage better risk management. From 2010 onwards, bad weather aid will only be exempted if the farmer has also taken out insurance against such risk; drought compensation will require implementation of the water framework directive, requiring full recovery of the costs of water services provided to agriculture. Finally, the regulation proposes an innovative system of “calls for interest” for investment aid. Member States shall be obliged to accept projects with lower aid intensities first. Only the remaining budget may be attributed to projects for which higher support has been asked for. Following consultation of Member States and stakeholders, the Commission plans to implement this regulation from January 2007.

3. PART THREE: AID AWARDED UNDER THE STATE AID BLOCK EXEMPTION REGULATIONS

With a view to reducing the administrative burden for specific types of aid, block exemptions for aid to SMEs, training aid, employment aid, certain types of aid in the fisheries sector and aid to SMEs in the agricultural sector have come into force over the past few years⁵⁷. Initial results are positive: the number of measures being notified for these types of aid has fallen considerably since 2001 as Member States make increasing use of the possibilities offered by the block exemption regulations. By the end of January 2006, more than 1300 information forms on block exempted measures had been submitted since the introduction of the regulations for SMEs and training in 2001 (see Table 5). In 2005 alone, the Commission received more than 400 forms on exempted measures: 197 on exempted aid for SMEs primarily in the manufacturing and services sectors, a further 87 for SMEs in the agricultural sector, 70 on training aid, 26 on aid to employment, and 22 for exempted aid in fisheries.

Four Member States, Italy (28% of the total number of measures), the United Kingdom (23%), Germany (14%) and Spain (11%) accounted for 75% of all the information forms submitted 2001-2005. Compared with 2004, the majority of Member States increased their use of the possibilities offered to exempt aid, especially for SMEs. However, the number of measures submitted by some of the EU-15 Member States is rather low: less than 10 in total in Denmark, Finland, Ireland, Luxembourg, Portugal and Sweden. The ten new Member States accounted for more than 20% of the measures submitted in 2005. In the agricultural

⁵⁷ Commission Regulation (EC) No 70/2001 of 12 January 2001 on State aid to SMEs (OJ L 10, 13.01.2001, pages 33-42) and No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development (OJ L 63, 28.02.2004, pages 22-29);
Commission Regulation (EC) No 68/2001 of 12 January 2001 on training aid (OJ L 10, 13.01.2001, pages 20-29) and No 363/2004 of 25 February 2004 amending Regulation (EC) No 68/2001 (OJ L 63, 28.02.2004, pages 20-21);
Commission Regulation (EC) No 2204/2002 of 5 December 2002 on State aid for employment (OJ L 337, 13.12.2002, pages 3-14);
Commission Regulation (EC) No 1/2004 of 23 December 2003 on State aid to SMEs in the agricultural sector (OJ L 1, 03.01.2004, pages 1-16);
Commission Regulation (EC) No 1595/2004 of 8 September 2004 on State aid to SME active in the production, processing and marketing of fisheries products (OJ L 291 of 14.09.2004, page 3-11).

sector, the possibility to exempt aid, introduced in 2004, has been taken up by 16 of the 25 Member States.

Table 5: Trend in the number of measures for which information sheets were submitted under the State aid block exemption regulations, 2001-2005, EU-25

Type of State aid block exemption	Year					Total	2006 January
	2001	2002	2003	2004	2005		
SME	101	123	139	149	197	709	15
Training	48	80	53	79	70	330	8
Employment	-	-	8	21	26	55	12
Agriculture	-	-	-	72	87	159	8
Fish	-	-	-	1	22	23	0
Total	149	203	200	322	402	1276	43

Note: The table excludes cases withdrawn. Figures for the ten new Member States are included as of 1 May 2004. Source: DG Competition

Table 6: Number of measures by Member State for which information sheets were submitted under the State aid block exemption regulations, 2001-2005

Member State	Type of block exemption regulation					
	SME	Training	Employment	Agriculture	Fish	Total
EU-25	709	330	55	159	23	1276
BE	5	23	2	3	0	33
CZ	11	1	1	2	0	15
DK	4	1	0	0	0	5
DE	97	62	9	16	0	184
EE	5	5	1	1	1	13
EL	16	2	3	1	1	23
ES	81	26	5	20	2	134
FR	6	3	2	22	0	33
IE	5	4	0	0	0	9
IT	211	89	6	40	13	359
CY	3	0	0	0	0	3
LV	4	0	0	6	0	10
LT	3	2	1	0	1	7
LU	1	0	0	0	0	1
HU	7	1	4	1	0	13
MT	5	2	2	0	0	9
NL	25	2	2	12	0	41
AT	18	7	0	7	0	32
PL	28	5	10	1	0	44
PT	1	2	0	0	0	3
SI	0	0	0	1	1	2
SK	2	1	1	0	0	4
FI	2	0	0	3	2	7
SE	0	1	1	0	0	2
UK	169	91	5	23	2	290

Note: The table excludes cases withdrawn. Figures for the ten new Member States are included as of 1 May 2004. Source: DG Competition

The State aid block exemption regulation on SMEs⁵⁸ was amended in February 2004 as regards the extension of its scope to include aid for research and development. Member States have increasingly used this possibility. In 2005, around 20% of all block exempted measures for State aid to SMEs included aid for research and development.

As regards expenditure, an estimated €3.4 billion was awarded in 2004 under the three block exemption regulations for SMEs, training and employment⁵⁹. Aid to SMEs accounted for €2.1 billion, €1.1 billion went for training aid and €0.2 billion for employment aid. In 2004, Italy made up for 47% of total expenditure in the EU-25 Member States followed by the United Kingdom (27%) and Germany (12%).

It is also worth looking at the share of exempted aid to total aid directed at horizontal objectives. EU-wide, aid under the block exemption regulations represented around 10% of all aid directed at horizontal objectives though for several Member States the share was considerably higher: Belgium 14%, Greece 16%, Poland 21%, United Kingdom 22% and Italy 31%.

Table 7: Aid awarded under measures for which information sheets were submitted under the State aid block exemption regulations, 2004

	SME	Training	Employment	Total
EU-25	2 051.6	1 110.6	212.0	3 374.2
BE	48.4	47.5	-	95.9
CZ	-	-	-	-
DK	0.3	-	-	0.3
DE	299.3	66.4	32.2	397.9
EE	-	-	-	-
EL	40.5	-	12.3	52.8
ES	36.7	24.1	1.0	61.8
FR	45.4	8.1	-	53.5
IE	13.8	0.3	-	14.1
IT	839.4	694.3	64.5	1 598.2
LV	0.1	-	-	0.1
HU	-	-	-	-
NL	8.0	-	-	8.0
AT	2.2	31.8	-	34.1
PL	4.3	2.5	101.0	107.7
PT	-	24.5	-	24.5
SK	-	-	0.2	0.2
SE	-	-	-	-
UK	713.2	211.2	0.7	925.0

Figures exclude expenditure for measures submitted under the block exemptions for agriculture and fisheries. Figures for the ten new Member States are included from 1 May 2004. Source: DG Competition.

⁵⁸ Commission Regulations (EC) No 70/2001 of 12 January 2001 on State aid to SMEs (OJ L 10, 13.01.2001)

⁵⁹ Data are not yet available for agriculture and fisheries.

4. PART FOUR: STATE AID CONTROL PROCEDURES AND RECOVERY

4.1. Registered Aid Cases

The Commission controls the Member States' granting of State aid by means of a formal and transparent procedure (Council regulation No. 659/1999 laying down detailed rules for the application of Article 88 of the EC Treaty). According to the regulation, "any plans to grant new aid shall be notified to the Commission in sufficient time by the Member State concerned." Although the vast amount of aid is notified, for around 11% of registered aid cases, it was not the Member State but the Commission that had to initiate the control procedure after finding out about the aid, for example following a complaint⁶⁰.

In 2005, there were 764 cases⁶¹ registered by the Commission: 663 cases were notified by Member States, 84 non-notified cases initiated by the Commission, 17 cases examining existing aid. In addition, information forms for more than 400 measures were submitted under the block exemption regulations (see Part Three). Excluding the information forms, 34% of all registered cases in 2005 concerned the agricultural sector and 52% the manufacturing and service sectors. Of the remaining cases, 9% involved transport and energy and 4% the fisheries sector (Table 8).

Of the 663 notifications, just over half were received from five of the largest Member States: Italy accounted for 18% of the total, Germany 10%, Poland 9%, Spain 9% and the United Kingdom 8%. Of the 84 non-notified cases, 15 concerned the United Kingdom⁶², 10 Germany, 9 Italy and 8 France.

Table 8: Number of registered aid cases in 2005

Sector	Notified aid cases	Non-notified aid cases	Existing aid cases	Total
Agriculture	236	24	3	263
Manufacturing and services	350	36	14	400
Transport and energy	58	11		69
Fisheries	19	13		32
Total	663	84	17	764

Source: DG Competition, DG Fisheries, DG Agriculture, DG Transport.

4.2. Commission Decisions

In 2005, the Commission took 646 final decisions.⁶³ In the vast majority of cases, the Commission concludes that the examined aid is compatible with the State aid rules and allows

⁶⁰ In 2005 there were 218 registered complaints, some of which may have led (or may lead) to new registered cases.

⁶¹ This figure excludes measures submitted under the block exemption regulations.

⁶² 8 of these non-notified measures were in the fisheries sector.

⁶³ Excluded under 'final' decisions are all decisions taken in 2005 to open a formal investigation procedure (55 in 2005), corrigenda, injunctions, court cases and proposals for appropriate measures. No Commission decisions are taken for aid awarded under the block exemption regulations. The total however includes those decisions in which the Commission decides that the notified aid does not in fact constitute aid as defined under Article 87(1). There were 23 such decisions in 2005. Also included under 'positive' decisions are the 2 conditional decisions taken in 2005.

Member States to award such aid without carrying out a formal investigation procedure. This was the case for 89% of decisions taken in 2005. Where the Commission has doubts whether certain aid measures comply with the rules, it carries out a formal investigation during which third parties and all Member States are invited to provide observations. At the end of the formal investigation procedure, the Commission either takes a positive, conditional or no aid decision⁶⁴ (making up 8% of the decisions in 2005 in addition to the 89% of decisions approved without a formal procedure) or that it does not comply with State aid rules and hence is not compatible with the Common Market and takes a negative decision (3% of all decisions in 2005).

Table 9 shows the share of incompatible and compatible aid cases on which the Commission reached a decision between 2003 and 2005. Over this three-year period, five Member States accounted for around 70% of all final decisions: Italy (24% of the total), Germany (16%), France (11%), Spain (10%) and the United Kingdom (9%). Following accession in May 2004, just over 100 final decisions on new aid measures had been taken in the ten new Member States by the end of 2005.

Around half (51%) of all final decisions over the period 2003-2005 were in the manufacturing and service sectors, followed by agriculture (40%) transport (6%) and fisheries (3%). It is important to bear in mind that these figures do not distinguish between large and complex cases involving billions of euro and requiring a lengthy investigation and relatively minor measures for which the aid amount may be less than one million euro.

Of the 94 negative decisions over this three-year period, more than half concerned Italy (28) and Germany (22). They were followed by France (11), Spain (7), United Kingdom (6) and Belgium (6), the Netherlands (3) and Austria (3). No other Member State exceeded 2 negative decisions in the last three years. As regards incompatible unlawful aid, 58 of the 94 negative decisions taken by the Commission included a recovery order⁶⁵

⁶⁴ Included in this category are cases withdrawn by the Member State during the investigation procedure.

⁶⁵ The remaining 36 decisions either concerned cases in which the aid was not awarded, existing aid cases or cases where recovery was not ordered due to legitimate expectations.

Table 9: Number of negative and positive decisions, 2003-2005

	Total	Approved without objections	Other positive decisions	Negative decisions	
				All negative decisions	of which recovery ordered
EU-25	1884	1614	176	94	58
BE	67	48	13	6	1
CZ	21	15	6	-	-
DK	54	45	8	1	1
DE	301	235	44	22	19
EE	8	8	-	-	-
EL	38	35	1	2	2
ES	181	160	14	7	6
FR	216	183	22	11	9
IE	38	32	4	2	1
IT	456	401	27	28	14
CY	3	3	-	-	-
LV	10	10	-	-	-
LT	6	6	-	-	-
LU	6	6	-	-	-
HU	4	4	-	-	-
NL	111	100	8	3	1
AT	48	41	4	3	1
PL	29	27	1	1	1
PT	25	21	4	-	-
SI	5	3	2	-	-
SK	15	15	-	-	-
FI	28	26	1	1	1
SE	43	40	2	1	1
UK	171	150	15	6	-

Note: Some double-counting exists in those cases for which there is both a negative and positive decision. The category ‘other positive decisions’ is made up of positive and conditional decisions following a formal investigation procedure as well as all ‘no aid’ decisions. Source: DG Competition, DG Fisheries, DG Agriculture, DG Transport.

4.3. Recovery of Unlawful Aid⁶⁶

Article 14 (1) of Council Regulation 659/1999 states that “where negative decisions are taken in cases of unlawful aid, the Commission shall decide that the Member State concerned shall take all necessary measures to recover the aid from the beneficiary.”

As of 31 December 2005, there were 75 pending recovery decisions, compared to 84 on 30 June 2005. In the second half of 2005, 17 pending recovery cases were closed, whilst eight new recovery decisions were taken (Table 10). The geographical distribution of pending recovery cases remains relatively stable: Germany accounts for the largest number of pending recovery cases (35%). Taken together, Spain, Italy and France account for a further 53% of all pending recovery cases. There are no pending cases in fourteen of the EU-25 Member States.

⁶⁶ Excluding recovery cases in the agriculture, fisheries and transport sectors.

Table 10: Pending recovery cases by Member State, first semester 2005

	Situation 30/06/2005	New cases in 2 sem 05	Cases closed in 2 sem 05	Situation 31/12/2005
EU-25	84	8	17	75
BE	3	0	2	1
DE	35	1	10	26
EL	2	0	0	2
ES	20	0	2	18
FR	7	1	0	8
IE	0	1	0	1
IT	12	3	1	14
NL	3	0	1	2
PL	0	1	0	1
PT	1	0	0	1
FI	0	1	0	1
SE	1	0	1	0

Source: DG Competition.

Table 11 provides data on the amounts of aid to be recovered under the 104 recovery decisions adopted since 2000⁶⁷. For 73 of these decisions, relatively accurate information exists on the amount of aid involved. This information shows that the total amount of aid to be recovered on the basis of decisions adopted between 1/1/2000 and 31/12/2005 is € 8.6 billion⁶⁸

Table 11: Trend in the number of recovery decisions and amounts to be recovered, 2000-2005

	Year of Decision						
	2000	2001	2002	2003	2004	2005	Total
No of decisions adopted	16	20	23	10	23	12	104
No of decisions for which the amount is known	15	11	18	7	18	4	73
Total aid to be recovered (in million €) (1)	356	1043.1	1095.4	1015.6	5112.9	17.9	8640.9
Amounts recovered: (in million €)	125.5	1019.5	1442	1230.3	4403.7	2.5	8223.5
Of which: a. principal reimbursed/or in blocked account	17.1	911.2	1037.4	894.6	3142.1	2.4	6004.8
b. aid lost in bankruptcy	108.4	28.6	1.2	0.7	0	0	138.9
c. interest		79.7	403.4	335	1261.6	0.1	2079.8
d. aid registered in bankruptcy	277.8	16.9	6.2	133.8	864.4	7.5	1306.6
Amount outstanding (2)	230.5	103.3	56.8	120.3	1970.8	15.5	2497.2
% still pending to be recovered	64.7%	9.9%	5.2%	11.8%	38.5%	86.6%	28.9%

(1) Only for Decisions for which the aid amount is known. (2) Amount excluding interest.

Source: DG Competition.

For 31 of the recovery decisions adopted since 2000, the Member State concerned has not yet submitted reliable information on the aid amount involved. The availability of information on amounts to be recovered is particularly limited in the case of aid schemes, especially tax or quasi-tax aid measures, and aid measures involving guarantees. The Commission continues its efforts to obtain information from the Member States on the aid amounts involved.

⁶⁷ On 31/12/2005, there were still a further 16 recovery decisions pending that were adopted before 1/1/2000.

⁶⁸ The autumn 2005 Scoreboard reported a total of €9.4 billion. This discrepancy is due to the fact that some Member States submitted a revised estimate of the amounts to be recovered under some schemes.

Of the € 8.6 billion of aid to be recovered under decisions adopted since 2000, some € 6.0 billion (i.e. 71.1% of the total amount) had been effectively recovered by the end of December 2005. In addition, € 2.1 billion of recovery interests had been recovered and a further € 139 million of aid was lost in bankruptcy proceedings.

Recovery of incompatible State aid is a lengthy process: 16 of the recovery decisions still pending at the end of June 2005 were adopted before the year 2000. Most of the older pending recovery cases concern companies that are involved in bankruptcy proceedings and that are no longer active. Of the 104 decisions adopted between 2000 and December 2005, 45 were closed by the end of 2005 (Table 12).

Table 12: Trend in the closure of recovery cases

	Year of the Decision						Total
	2000	2001	2002	2003	2004	2005	
No of recovery decisions adopted	16	20	23	10	23	12	104
No of recovery cases that are closed by 31/12/05	12	5	11	4	12	1	45

Source: DG Competition.

As underlined in the State Aid Action Plan (SAAP), the effectiveness and credibility of State aid control presupposes a proper enforcement of the Commission's decisions. The Commission therefore announced in the SAAP that it will seek to achieve a more effective and immediate execution of the recovery decisions, which will ensure equality of treatment of all beneficiaries. To this effect, the SAAP announces that the Commission will monitor more closely the execution of the recovery decisions by Member States. Where Member States do not take all measures available to implement such decisions, the Commission will more actively pursue non-compliance under Articles 88(2), 226 and 228(2) of the Treaty.

The table 13 below gives an overview of the pending recovery cases for which the Commission has decided to initiate Art. 88 (2) or Art 228 (2) EC Treaty action.

Table 13: The pending recovery cases for which the Commission has decided to bring the case before the Court of Justice

Case number/title	MS	State of play and recent developments
CR44/97 – Magefesa I&II	ES	13/10/99: Commission decision to initiate Art. 88 (2) action against ES 02/07/02: ECJ judgment condemning ES for failing to implement CEC decision
CR49/98 – Employment measures	IT	29/11/00: Commission decision to initiate Art. 88(2) action against IT 01/04/04: ECJ judgment condemning IT for failing to implement CEC decision
CR48/99 – CR50/99 CR52/99 – CR54/99 Basque fiscal aid schemes	ES	05/03/03: Commission decision to initiate Art. 88 (2) action against ES
CR03/99 – Spanish shipyards I	ES	26/06/03: ECJ judgment condemning ES for failing to implement CEC decision 18/10/04: Commission sent letter of formal notice to Spain to initiate Art. 228 (2) infringement procedure
CR38/98 – Kimberly Clark/Scott Paper	FR	06/10/04: Commission decision to initiate Art. 88 (2) action against FR
CR27/99 – Municipalizzate	IT	19/01/05: Commission decision to initiate Art. 88(2) action against IT
CR62/00 – Thuringen Porzellan (Kahla)	DE	16/02/05: Commission decision to initiate Art. 88(2) action against DE
CR62/03 – Urgent employment measures	IT	06/04/05: Commission decision to initiate Art. 88(2) action against IT
CR 58-59-60/00 – Basque fiscal aid schemes	ES	21/12/05: Commission decision to initiate Art. 88(2) action against ES
CR 57/03 – Tremonti Bis	IT	25/01/06: Commission decision to initiate Art. 88(2) action against IT
CR 36/01 – Beaulieu Ter Lembeek	BE	25/01/06: Commission decision to initiate Art. 88(2) action against BE

5. METHODOLOGICAL NOTES

The State aid data for the period 2002-2004 presented in this Scoreboard were provided by the national administrations of Bulgaria and Romania in response to the inventory and data gathering exercise, launched by the Commission in September 2005, as well as the annual reports on State aid transmitted by these countries in accordance with their transparency obligations laid down in the Europe Agreements. Additional data on population, GDP and exchange rates were obtained from Eurostat. Total aid excludes agriculture, fisheries and transport for which comparable data are not available.

State aid expenditure is attributed to the year it was made. In cases that result in expenditure over a number of years, the total amount is attributed to each of the years in which expenditure took place. All data are provided in million (or billion where appropriate) euro at constant 2004 prices so that the effects of inflation are removed.

The data have been harmonised as far as possible by applying the same methodology as that used for the EU Member States in the autumn 2005 update of the State aid Scoreboard⁶⁹. In principle, the data included in this Scoreboard should refer to measures that have been

⁶⁹ COM(2005) 624 final of 9.12.2005

assessed by the national State aid monitoring authorities and have been considered to constitute State aid as defined under Article 87 of the Treaty. Accordingly, general measures and public subsidies that have no affect on trade and do not distort or threaten to distort competition are not dealt with in the Scoreboard as they do not constitute State aid.

The following symbols have been used in the Scoreboard:

n.a.	not available
-	real zero
0	less than half the unit used
NGE	net grant equivalent
New MS	new Member States
R&D	research and development
SMEs	small and medium-sized enterprises
GDP	Gross Domestic Product

Further information on methodological issues may be found on the online Scoreboard:

http://europa.eu.int/comm/competition/state_aid/scoreboard/conceptual_remarks.html