

## IMPLEMENTATION OF STATE AID POLICY FROM THE EUROPEAN UNION IN ROMANIA

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**Abstract:** *In 2009, the Competition Council's activity regarding the state aid field has considered Romania's obligations as a member state, and the fulfillment of some specific tasks by the competition authority acquired after January 1, 2007. In this regard, the Competition Council has encouraged the collaboration between institutions to develop projects of state aid schemes. In 2010 there were six major investment projects approved, four of them being in the photovoltaic sector in which three are in Germany, one is in Spain and the rest concern the mechanical industry in Germany and Italy. Also, there were approved five ad hoc aid measures in favor of individual enterprises, for investments in areas that are on the regional aid maps for the period 2007-2013, and ten aid schemes, of which five related to the outermost regions. In accordance with the guidelines on national regional aids for 2007-2013, the Commission developed a statistical evaluation of the situation of state aid and regional aid ceiling which received a transitional assisted area status under Article 107 paragraph 3 letters (a) by the end of 2010. The Commission accepted the changes introduced by the three member states (France, Ireland and Italy) in state aid maps for certain regions eligible for regional aid under Article 107 paragraph 3 letter (c).*

**Keywords:** *State aid, state scheme aid, regional state aid, intensity of state aid, investment project.*

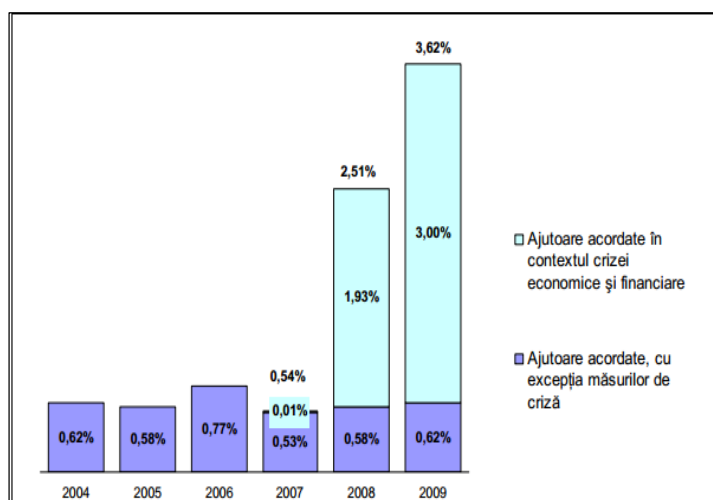
**JEL Classification:** E22, F35, L4, R58

### 1. INTRODUCTION

In 2010, most aid approved targeted horizontal objectives of common European interest, such as culture and heritage preservation, regional cohesion, environmental protection, research, development and innovation and compensation for the damages caused by natural disaster, in addition to the aid given in economic and financial crisis. Member states have widely used the possibilities offered by the General Block Exemption on categories, under which the aids fulfilling the established criteria may be granted without prior notification to the Commission. Thus in 2010 the member states have introduced 414 new measures on aid allowance (Bâldan, 2011).

The total amount for aids, with the exception of the measures related to crisis, arose in 2009 to 0.62% of GDP or 73.2 billion EUR, while in 2008 this value was 0.58% of GDP. On average, 84% of aid granted to industry and services were directed towards horizontal objectives of common interest.

Package was introduced in 2010 to simplify it, including a Code of Good Practices and a Communication on a simplified procedure, both aimed at improving the efficiency, transparency and predictability of State aid procedures. The first results of the Code of Good Practice have been encouraging, especially in the management of complaints, a growing number of applicants than being informed about the situation of their applications.



**Figure 1. The evolution of the total amount of state aid granted by member states in 2004-2009, expressed as a percentage of EU GDP**

Source: Report on Competition Policy for the year 2010, [http://ec.europa.eu/competition/publications/annual\\_report/2010/part1\\_ro.pdf](http://ec.europa.eu/competition/publications/annual_report/2010/part1_ro.pdf)

## 2. STATE AID CONTROL IN E.U.

### ➤ Regional aid

In accordance with the guidelines on national regional aid for 2007-2013, the Commission conducted a statistical evaluation of the situation of state aid and regional aid limit which received a transitional assisted area status under Article 107 paragraph 3 letter (a) by the end of 2010. The Commission accepted the changes introduced by the three member states (France, Ireland and Italy) in state aid maps regarding certain regions eligible for regional aid under Article 107 paragraph 3 letter (c).

In 2010 six major investment projects were approved, four of them being in the photovoltaic sector in which three are fulfilled in Germany and one in Spain and the rest for the mechanical industry in Germany and Italy. Also, five ad hoc aid measures were approved in favor of individual enterprises for investments in areas under the regional aid maps for the period 2007-2013, and ten aid schemes, of which five related to the outermost regions.

#### • Aid for environmental protection

In this area, the Commission approved several measures in order to support the energy savings and the production of energy from renewable sources. An increasing number of notifications of this type have debated over the relatively high individual aid (investment aid exceeding 7.5 million per enterprise) and have been the subject of a detailed economic evaluation. Basically, the approved schemes were related to the aids for renewable energy and for carbon capture and storage.

#### • Research, development and innovation

The concept of innovation has been placed in the center of Europe's 2020 strategy, and the emblematic initiative "A Union of Innovation" highlights the need for better financing of innovation in Europe, in order to increase the performance.

The Community for Research, Development and Innovation supports the concept by facilitating better guidelines to aid market problems in the member states. In 2010, the Commission approved twelve aid schemes with a budget of over 5 billion EUR, of which five

measures were schemes for research and development, four aid schemes were aimed at innovation, and four were mixed.

After a detailed economic evaluation the Commission decided not to raise any objections against ten of the notified individual aids for major Research and Development projects, allocated for developing new processes of producing bio methane, for the use of materials into manufacturing specific components of aero structures and the lithography for making semiconductor devices. Also, the Commission monitored the information submitted by other 52 aids for research and development projects, which exceeded 3 million EUR, although these projects were not under the incidence of individual notification obligation (However, at the Commission were presented 40 aid schemes specialized on basic research, 91 for industrial research and 86 for experimental development, all based on GBER. Regulation (EC) no. 800/2008 of the Commission dating August 6, 2008 of declaring certain categories of aids compatible with the common market, applying Articles 87 and 88 from the Treaty (of the general exemption on categories of aids)). Also the GBER was used by the member states for issuing certain measures of innovation, of which 42 were related to industrial property rights for SMEs, 21 to young innovative enterprises, 21 to consulting services and assistance in implementing innovation and 11 to the temporary availability of the highly qualified personnel.

- **State aid to promote the risk capital**

In this area, the Commission approved seven measures with an overall budget of 380 million EUR. Of these, three were not compliant with the "safe harbor" provisions and were the subject to a detailed evaluation. There have also been implemented eleven additional aid schemes under GBER that countries have used in the favor of the risk capital measures.

- **State aid granted to the coal sector and to the agricultural sector**

Following the Commission's proposal made in July 2010, the Council adopted on December 10, 2010, a decision regarding the state aids meant to facilitate the closing of the uncompetitive coal mines. Thereby aids to support the coal production are granted with the condition that there must exist a closure plan whose deadline would be not later than 31 December 2018, and to cover exceptional costs associated with closure of mines, by the year 2027.

The Commission assesses the state aids in the agriculture and forestry sectors based on some new guidelines on state aids for the agriculture and forestry sectors for the period 2007-2013. In 2010 there were registered 214 state aid cases and 161 decisions were adopted.

## **2. STATE AID - ASSUMED OBLIGATIONS AND ACHIEVEMENTS DURING THE PERIOD 2004-2009 IN ROMANIA**

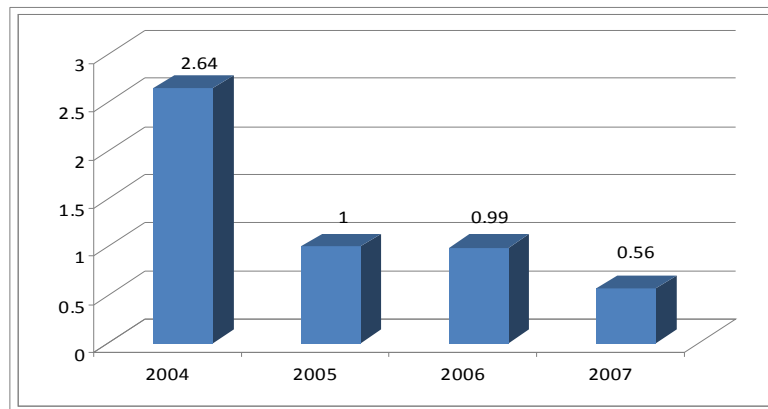
In 2009, the Competition Council's activity in the field of state aid has considered Romania's obligations as a member state and obligations to fulfill specific tasks acquired after the competition authority on January 1, 2007. In this regard, the Competition Council has encouraged the collaboration between institutions to develop projects of state aid schemes, so there were presented the following reports (2009 Yearly Report, published by the Competition Council, [http://www.renascce.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascce.eu/documente/Raport%202009_619ro.pdf)):

a) Reports on Romania's obligations when joining the European Union in 2009, issued by the Competition Council and regarding:

- The situation of the existing state aids;
- Half-yearly reports on monitoring the state aid beneficiaries from the field of motor vehicles and which are operating in disadvantaged areas and open zones;
- Report on monitoring the state aids granted to businesses operating in open zones;

- Report on fulfilling all the conditions for granting state aids in the disadvantaged areas and measures imposed for the cases of breaches of award criteria;
  - Situation of the state aids for research - development - innovation.
- b) Reports made according to the running national legislation.

During 2009, the Competition Council elaborated the Report for the state aids granted in Romania in the period 2004-2007, in accordance with the provisions of Art. 19 of O.U.G. no. 117/2006 on national procedures for state aids, approved with amendments and addendums by Law no. 137/2007. The report shows that, in 2004-2007, national aid recorded a downward trend that continued with 2.08 percentage points from 2.64% (2004) to 0.56% (2007) (2009 Yearly Report, published by the Competition Council, [http://www.renascc.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascc.eu/documente/Raport%202009_619ro.pdf))



**Figure 2. The evolution of the state aid balance in GDP during the period 2004-2007**

Source: 2009 Annual Report of the Competition Council, [http://www.renascc.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascc.eu/documente/Raport%202009_619ro.pdf)

It was found that the amount of state aid granted in 2007 represented a quarter from the percentage of the year 2004 (24.7%).

The high level recorded in 2004 was due, in particular, to the increasing process of restructuring and privatization of companies owned by the state and also due to the fact that it was the last year when the steel industry in Romania received state aids. As regards 2006 the explanation for the high level of state aids, compared with the year 2007, comes from the fact that it was last year when state aid measures could be authorized by the Competition Council.

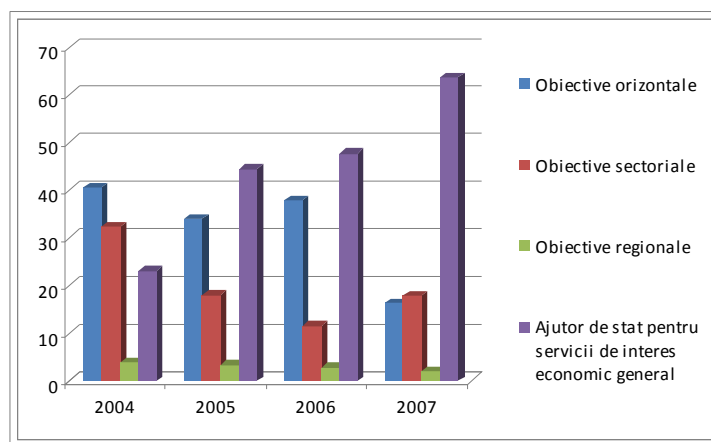
In terms of objectives, the state aid report highlighted the following conclusions (2009 Yearly Report, published by the Competition Council, [http://www.renascc.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascc.eu/documente/Raport%202009_619ro.pdf)):

- In 2007, the state aids granted for services of general economic interest had the highest value, this being due to the investments made by public local authorities and to the subsidies given in this area (thermal heat, drain water – sewage), which increased year over year;

- State aids granted for horizontal objectives in 2007 had a low share of 16.45% as a result of a reduction of the rescue aids - restructuring, which had a higher degree in the distortion of competition, and due to the fact that most part of the state aids given to small and medium enterprises were granted in the form of the minimum aids, aids that were easier obtained by business agents;

- State aids granted for sectorial objectives decreased, accordingly to the EU public policy in this field;

• Share in the case of national state aids for regional development has recorded a steady decline because of the smaller number of business agents eligible for a tax relief in the disadvantaged areas, by reaching a maximum intensity or ceasing the existing period of the disadvantaged areas.



**Figure 3. The evolution of the state aid structure as a percentage from GDP/target during the period 2004-2007**

Source: 2009 Annual Report of the Competition Council, [http://www.renascce.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascce.eu/documente/Raport%202009_619ro.pdf)

In 2009 was issued by the Competition Council "The report on monitoring rescue and restructuring aids granted to companies in difficulty", containing data and information on the implementation of restructuring programs completed during 2007 -2008, and also reviewing the progress of those programs implementing restructuring with deadline in 2009.

Its purpose was to evaluate the implementation of the measures foreseen in the restructuring plans which constituted the reason of authorizing the respective state aid; another purpose was to analyze the economic and financial developments of the 62 beneficiary companies, and the measures that had to be taken for those companies that have not implemented the plans in question (2009 Yearly Report, published by the Competition Council, [http://www.renascce.eu/documente/Raport%202009\\_619ro.pdf](http://www.renascce.eu/documente/Raport%202009_619ro.pdf)).

In 2009 there were recovered illegal state aids in the amount of 15,021.00 LEI and the value of the total cumulative recoveries made during 2005 to 2009 was of 256,742,945.81 LEI.

### 3. GUIDELINES ON REGIONAL STATE AIDS FOR PERIOD 2007-2013

#### 3.1. Aids for regional investment

##### A) Form of aids

Regional investment aid represents an aid given for an initial investment project. an initial investment supposes an investment in tangible and intangible assets related to (Guidelines on regional state aids for 2007-2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>):

- starting a new unit;
- Extension of an existing establishment;
- Diversification of the production of an establishment by manufacturing new, additional products;
- Fundamental change in the overall production process of an existing establishment.

- Acquisition of assets directly linked to an establishment, which was closed and purchased by a foreign investor;

Regional investment aid is calculated based on the costs of investment in tangible and intangible assets derived from the initial investment or (estimated) wage costs for jobs created by the investment project.

Support may take the following forms:

- Subsidies;
- Low-interest loans or interest discounts;
- Public warranty;
- Purchase of shares or other capital contributions on favorable terms;
- Tax exemptions or reductions;
- Contributions to social security or to other compulsory charges;
- Supply of land, goods or services at favorable prices.

It is important to ensure that the regional aid produces a real stimulating effect on the undertaken investments that otherwise would not be made in the assisted areas.

If the aid is calculated on the basis of investments in tangible and intangible assets, the beneficiary must have a contribution of at least 25% of eligible costs in order to ensure the reliability of the investment.

In order to be sure that the investment offers a real and lasting contribution to the development of the region, the aid must be conditioned by the provisions attached to the aid or by the methods of its payment, so that the respective investment in the region concerned be maintained for a minimum period of five years from the completion.

Also, if the aid is calculated on the basis of labor costs, it is required a period of three years after the project's completion for occupation of the employment places.

All jobs created by the investment must be maintained in the respective region for a period of five years from the date of first the job occupied. In the case of SMEs, the member states may reduce the period of five years of maintaining the investment or the jobs created at a minimum of three years.

Consequently, it is not considered as initial investment the mere acquisition of shares by a company with legal personality.

To the calculation of aids it is taken into consideration the gross subsidy. The aid's intensity in the gross grant equivalent (GGE) represents the present value of the aid expressed as a percentage of the present value of the eligible investment costs. For the individual aids notified to the Commission, the gross subsidy equivalent is calculated at the time of notification. In other cases, the eligible investment costs are updated to their value at the time of the grant (Guidelines on regional state aids for 2007-2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>).

Payable aids in several installments shall be calculated at their value at the time of the notification or at the time of granting the respective service, as appropriate. The interest rate to be used for discounting purposes and for calculating the aid amount in a soft loan case shall be the reference rate applicable at the time of the grant. Where aid is awarded in the form of tax exemptions or reductions based on future taxes due, discounting of aid installments is based on the reference rates applicable at various times when the tax advantages become effective.

### **B) The limits of the aids granted to large enterprises**

In establishing the extent of the aid that is given the nature and seriousness of the regional problems are taken into consideration. Because of the expansion of the EU certain inequalities have arisen in what regional prosperity is concerned, and as a result a considerable number of member states have a GDP per citizen lower than the 45% of the EU average. Taking these

matters into consideration the Committee has introduced a more detailed classification of the concerned regions.

As a result the Committee believes that in the case of the regions that fall under article 87 paragraph (3), letter (a) the extent of the aid given should not be more than (Guidelines on regional state aids for 2007-2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>):

- 30% BSE for regions with a GDP per citizen lower than 75% of the EU-25 average, for the ultra-peripheral regions with a higher GDP and till 1 of January 2011 for the regions with statistical effect;
- 40% BSE for regions with a GDP lower than 60% of the EU-25 average;
- 50%BSE for regions with a GDP lower than 45% of the EU -25 average.

Considering the specific deficiencies, the ultra-peripheral regions may benefit of a supplemental bonus of 20% BSE if the GDP drops under 75% of the EU average and of 10% BSE in the other cases.

The regions with statistical effect that fall under the purview of the waiver in article 87 paragraphs 3 letter (c) can benefit from an increase of aid of 20% from January 1, 2011.

In the case of the other regions that fall under the purview of article 87 paragraph (3) letter (c) the amount of the aid should not be more than 15% BSE. In the case of the regions with a GDP higher than 100% the EU average and an unemployment rate lower than the EU average aid is reduced to 10% BSE.

In the case of regional aid for small and medium businesses, the limits of the aid previously presented can be increased by 20% BSE, in the case of small businesses, and by 10 %BSE in the case of the aid given to medium businesses.

### **C) Eligible expenses for government aids**

#### **• The aid calculated according to the costs of the investment**

When giving aid for an initial investment the expenses regarding the terrain, constructions and facilities or equipment are taken into consideration.

In the case of small and medium businesses the following costs are considered (Guidelines on regional state aids for 2007-2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>):

- the costs for the initial studies and the consulting services relating to the investment can be granted aid in the amount of 50% of the actual cost;
- the costs involving leasing goods, other than terrains and buildings, only if the leasing contract is a financial one, involving the obligation of purchasing the respective good at the end of the leasing contract;
- the costs pertaining to the leasing of terrain and buildings, only if it continues for at least five years after the investment is completed in the case of large businesses and for three years in the case of SME
- the complete cost of investments in non-corporate goods through technology transfer by acquisition of patents, licenses, know-how or non-patented technical knowledge.

With the exception of SME and take-overs the goods acquired must be brand new.

In any case the eligible non-corporate goods must respect all necessary terms to remain associated to the region eligible for regional aid, and, as a result cannot be surrendered to another region, especially to those that are not eligible for regional aid. For this purpose the eligible non-corporate goods must especially respect the following terms:

- ✓ to be exploited exclusively in the unit the benefits of regional aid;
- ✓ to be considered redeemable capital;

- ✓ to be amongst the enterprise capital and remain in the unit that receives regional aid for at least five years (three years for SME).

- **Aids calculated in relation to wage costs**

Regional aid as previously presented can be calculated in relation to the wage costs estimated for the jobs created by an initial investment project.

Creating jobs represents a net increase of the number of employees working directly in a specific unit by comparison to the average of the previous 12 months. As a consequence, the jobs that cease to exist in the course of those 12 months must be reduced from the apparent number of jobs created in the same period of time.

The amount of the aid must not be higher than a certain percentage of the wage costs of a hired individual, calculated for an extent of two years. The percentage is equal to the allowed extent of the investment aid specific to that area.

### 3.1 Aid for large investment projects

Considering present guidelines a “large investment project” represents an “initial investment” of an eligible amount higher than 50 million euros. The authorities consider being a large investment project one where the initial investment is made by one or more enterprises over a period of three years and consists of combined permanent capital indivisible from an economical point of view. The expenses taken into consideration are either the usual investment costs, either the wage costs.

The Committee, by previous terms of reference concerning large investment projects, has reduced the maximum levels of aid, in order to avoid disloyal competition. For reasons of simplification and transparency, the Committee has decided to include the instructions of the Multisectorial Frame of 2002 in the Guidelines regarding regional government aids for the period 2007-2013 (Guidelines on regional state aids for 2007-2013, <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>).

- **Increasing transparency and monitoring large investment projects**

The aids given to investment projects are individually notified by the Committee's member states, in the occasion when the proposed aid from all sources is higher than the maximum aid amount allowed, for an investment with eligible expenses higher than a hundred million euros.

**Table 1. Presentation of the amount of government aid in correlation to the notification level**  
-EUR-

The amount of the aid	10%	15%	20%	30%	40%	50%
The notification level	7,5 mil.	11,25 mil.	15 mil.	22,5 mil.	30 mil.	37,5 mil.

Source: *The Guidelines regarding government regional aids for the period 2007-2013*  
<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>

The table represents the notification levels for granting government aids with the most common amount based on present Guidelines.

In the case when regional aid is granted on the basis of existent aid schemes for investment projects that do not require notification, the member states must present the Committee the information required in the standard form within 20 working days from the date when the aid was granted by the qualified authority.

Member states must keep detailed files regarding the aids granted for all large investment projects. These files that need to contain all the necessary information to ascertain that the maximum amount of allowed aid has been respected, must be kept for 10 years since the aid was granted.



- **The evaluation standards for large investment projects**

Regional aids granted for large investment projects have limited levels, adjusted according to the following grid:

**Table 2. The presentation of the grid for granting regional aids**

Eligible expenses	Adjusted level of aid
Up to 50 000 000 EUR	100% of the adjusted level
Between 50 000 000 and 100 000 000 EUR	50% of the regional level
Over 100 000 000 EUR	34% of the regional level

Source: Guidelines regarding government regional aids for the period 2007-2013, <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>

The calculations are based on the official exchange rates at the time the aid was granted or, in the case of an aid conditioned by an individual notification, at the time of the notification. Investment projects that are individually notified are evaluated according to the norms in appliance at the time of the notification. The investment projects that are individually notified are evaluated according to the norms in appliance at the time of the notification. Ad-hoc individual aids must be notified to the Committee without exception. Because of the obvious impact on commercial exchanges and competition, the individual ad-hoc aid for large investment projects require a special justification of its connection with regional development.

In the case of large enterprises the maximum allowed amount is always considered.

The Committee demands a detailed presentation of the investment in order to authorize regional aids so that they do not undermine the competition and the aid is necessary to stimulate the investment if the overall value of the aid is more than 75% of the maximum amount of the aid that can be granted to an investment with eligible expenses of a 100 million EUR and only if (Guidelines on regional state aids for 2007-2013, <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=DD:08:04:52006XC0304%2802%29:RO:PDF>):

- the beneficiary of the aid does more than 25% of the sales of the product in question on the respective market or markets before the investment or more than 25% after the investment is complete
- the production capacity created by the project represents more than 5% of the market, measured using data referring to the apparent consumption of the questioned product, except for the case when the medium annual average of apparent consumption over the previous five years is higher than the GDP annual average of growth for the European Economical Space.

The questioned product is usually the product that is the object of the investment project. When the project is for an intermediary product and a large part of the production is not sold on the market, the questioned product can be the downstream product. The relevant market for the product includes the product itself and its substitutes, viewed so by the buyers (for reasons pertaining to the product's characteristics, prices and purposes) or by the manufacturer (because of the flexibility of the production facilities).

- **Norms regarding the addition of aids**

Total aid is applied in the following cases:

- ✓ assistance is given at the same time based on multiple regional grids or combined with ad-hoc aid;
- ✓ the aid comes from local, regional, national or community resources.

When the aid calculated on investment costs of the corporate or non-corporate capital is combined with the aid based on wage costs, the limit amount established for the respective region must be respected.

When the expenses eligible for regional aids are completely or partially eligible for another type of aid, the more preferable limit, established on the norms in appliance, is set for the common part.

Regional aids for investments are not added to the minimum aids in regards to the same eligible expenses in order to elude the maximum amount of the aids established by the present guidelines.

### **3.2 Operating aids**

Operating aid is represented by the regional aid granted for the decrease of the enterprises current expenses. Normally these aids are forbidden. Yet, they are still granted to eligible regions according to the waiver present in article 87 paragraph (3) letter (a) of the treaty as long as they are justified by their contribution to regional development and their nature and as long as their level is proportional to the handicap it is trying to compensate. The member states must prove the existence and the importance of all handicaps. Also in regions with low population and less populated areas specific forms of operating aid can be accepted.

Basically, operating aid should be granted only to a pre-set number of expenses or eligible expenses and should be limited to a certain part of these costs.

Because these aids can severally undermine competition they are not granted in the sector of financial services or of inter-group activities according to present guidelines, with the exception of the cases when these aids are granted based on general grids that are open to all sectors and serve to compensate supplemental transport or wage costs. Operating aids for promoting exports are also excluded.

Because these aids are meant for the recovery of delays and removing obstacles in regional development, operating aids must be temporary, decrease over time and cease when the questioned regions reach a real convergence with more prosperous zone in the European Union.

Operating aids that do not decrease gradually and are not time limited can be authorized only in the following cases:

- ✓ ultra-peripheral regions, as long as they are not used to compensate supplemental costs that involve in the economic activities because of the factors identified in article 299, paragraph(2) of the treaty, whose permanent character and involvement severally limit the development of these regions(remote, islands, small size, geographical and climate difficulties, and economical dependence on several products);
- ✓ in regions with a continually decreasing population, as long as they are meant to prevent or reduce the depopulation of the area.

Also, in ultra-peripheral regions and in regions with a low population density aids that do not decrease progressively, are not time-limited and are meant to partially compensate supplemental transport costs can be authorised in the following situations:

- aids meant to compensate supplemental transport costs taking into consideration other transport aid grids;
- aids that can only be granted for supplemental transport costs of merchandise made in ultra-peripheral regions and in low density population areas inside the questioned country;
- aids can be granted for the transport of primary products, raw materials, or intermediary products from their production site to the place of final transformation in the questioned area;

- aids have to be objectively quantifiable ex ante, based on the report aid per passenger or kilometer, or aid per ton or kilometer and have to be the object of an annual report that describes, amongst other matters how the report is calculated;
- supplemental costs must be made based on the cheapest means of transportation and the shortest route between the production or transformation site and the selling one.

In the case of the operating aids the member states must do an annual report containing a presentation of the total expenses or of the loss of income estimated for each region. This report is necessary to verify the changes these aids have on the competition and commercial exchanges. This report must also resent the major 10 beneficiaries of the operational aids in the questioned region, specifying the activity sector of each beneficiary and the amount of aid each has received.

### 3. CONCLUSIONS

Considering the difficulties that small businesses face all over the European Union, it is necessary to introduce a new form of aids that can be granted supplemental to the regional investment aids, in order to encourage the founding of new enterprises and the incipient phases of small enterprises in assisted areas (Bâldan, 2011).

As a result, the Committee will authorize aid grids that provide granting aids of up to two million euros per enterprise for small enterprises that undertake their economic activity in regions eligible for the waiver in article 87 paragraph (3), letter (a) and of up to one million euros for the waiver in article 87 paragraph (3) letter (c). The annual amount of the aids granted for newly created small enterprises should not be higher than 33% of the total amount of aids per enterprise previously mentioned.

Eligible expenses are represented by judicial, assistance, consultancy and administrative costs, as well as the following costs, as long as they are really paid in the first five years from the beginning of the enterprise:

- the interest of external financing and equities of their own used capital that is not higher than the reference rate;
- the taxes for renting facilities and production equipment;
- electrical power, water, heat, administrative taxes and expenses;
- the redemption and the expenses of acquiring through leasing facilities and production equipment, as well as wage costs, the mandatory contributions to social insurance, that can also be included as long as the basic investments and the steps taken in providing new jobs and personnel recruitment did not benefit from other forms of aid.

The amount of the aid must be between the following limits:

- ✓ in the regions under the purview of article 87 paragraph (3) letter (a), 35% of the eligible expenses in the first three years from the beginning of the enterprise and 25% in the next two years;
- ✓ in the regions under the purview of article 87 paragraph (3) letter (c), 25% of the eligible expenses in the first three years from the beginning of the enterprise and 15% in the following two years;

These amounts are increased by 5% in the regions under the purview of article 87 paragraph (3) letter (a) with a GDP per citizen lower than 60% the community average in the regions with a population lower than 12.5 inhabitants/km and on the small islands with a population lower than 5 thousand inhabitants, as well as in other communities that are similarly isolated.

The member states are those that have to create the system that ensures that the higher limits of the total amount of aid by comparison with the questioned eligible costs are respected. Especially the aids presented in this chapter are not cumulative with other aids (including the minimize aid) to elude the maximum amount of aid or the maximum sums established.

The aids for newly created small enterprises can have an undesirable effect on those enterprises because they can be created only to cash in the aid and then dissolved, therefore the member states must create a system to fight this risk, for example by restricting requests from the owners with recently dissolved enterprises.

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