

# ORGANIZATION

22 March 2004

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## Countervailing Measures

## SUBSIDIES

New and Full Notification Pursuant to Article XVI:1  
of the GATT 1994 and Article 25 of the Agreement  
on Subsidies and Countervailing Measures

## CZECH REPUBLIC

The following communication, dated 17 March 2004, is being circulated at the request of the Delegation of the Czech Republic.

With reference to Article XVI:1 of GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures, I have the honour to enclose the Czech Republic's notification covering the years 2001 and 2002.

The notification of programmes and measures does not prejudice their legal status under GATT 1994 or the Agreement on Subsidies and Countervailing Measures, nor does it prejudice the nature of the measure itself. Furthermore, it does not imply in any way that any of the measures notified, wholly or in part, constitutes a specific subsidy.

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**Please note EUR 1 = CZK 34.05360 (2001)**  
**= CZK 30.81199 (2002)**

## ENVIRONMENT

**1. Title of the subsidy**

Environmental aid

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Support for environmental protection and improvement.

**4. Background and authority for the subsidy**

Ministry of Environment and local authorities

**5. Legislation under which it is granted**

Act No. 388/1991 Coll. on State Environmental Fund  
Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

Loan (it means the uncollected interest amounting to 0.94 per cent of granted loans)

**7. To whom and how the subsidy is provided**

The subsidy is available to all companies involved in the State Environmental Fund schemes on air protection, water protection, disposal of waste, projects in the area of ecological technologies and production etc. The Fund's expenditures are aimed at the municipality sphere, i.e. municipalities and cities. In the framework of the State Fund of Environment there were in total 14 state aid schemes.

The decision to provide the subsidy is based on established criteria and assessment of applications with regard to the environmental benefits and public interests.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of subsidy was CZK 21.7 million, (of which CZK 15.267 million in form of grants and CZK 6.433 million in form of soft loans) in 2001, and CZK 13.7 million (of which CZK 12.7 million in form of grants and CZK 1.0 million in form of soft loans) in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Maximum 10 years (loans).

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**ENERGY SAVING**

**1. Title of the subsidy**

Support of energy saving.

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Promote energy savings and use of renewable energy sources.

**4. Background and authority for the subsidy**

Ministry of Industry and Trade  
Ministry of Agriculture

**5. Legislation under which it is granted**

Decision by the Government No.480/1998 on State Scheme for Energy Saving and Use of Renewable Energy Resources.

Act No. 218/2000 Coll. on Budgetary Regulations.

Agreement to the European Electric Power Chart, the Protocol on Energy Savings and Requirements for Permanently Sustainable Development.

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

**7. To whom and how the subsidy is provided**

Subsidy in the area of energy saving is implemented by means of the State scheme for energy saving and use of renewable energy resources that includes *sub-schemes* for higher use of renewable and secondary energy resources, for energy savings in industry, transportation and agriculture, substitution of solid and liquid fossil fuels in heating hot utility water with use of biomass, for construction of small water power plants, wind power plants and facilities for joint production of electric power and heat from biomass.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of subsidy was CZK 508.8 million in 2001 and CZK 31.4 million in 2002 provided in form of grants.

**9. Duration of a subsidy and/or any other time limits attached to it**

Grants - specified in each contract.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**RESEARCH AND DEVELOPMENT**

**1. Title of the subsidy**

Support for research and development.

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Promote research and development, in particular the projects related to technique and engineering.

**4. Background and authority for the subsidy**

Grant Agency that is a government agency administering support to R&D and acting upon supervision of the Government Council for Research and Development. Support is also granted by respective ministries within their competencies.

**5. Legislation under which it is granted**

Act No. 130/2002 Coll. on Aid for Research and Development  
Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

Loan (it means the uncollected interest amounting to 7.75 per cent per cent of granted loans)

**7. To whom and how the subsidy is provided**

Most of financial funds for research and development were granted to the subjects dealing with technology and engineering projects. The funds were received by 240 and 165 beneficiaries for 276 and 257 projects in years 2001 and 2002 respectively.

Conditions of application are decided by the Government, the subsidies are awarded through tender procedures. Under the Act No.130/2002, aid is subject to the prior approval of the Office for the Protection of Competition of the Czech Republic. However, this condition does not relate to the aid for research and development projects awarded in form of a public contract, in which the aid beneficiary effects research and development for the needs of the provider, who is the only user of its results.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of subsidy was CZK 949.5 million in 2001, and CZK 1 106.4 million in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Generally not limited, specified in each contract.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**RESCUE AND RESTRUCTURING**

**1. Title of the subsidy**

Rescue and restructuring of enterprises

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Support to rescue and restructuring of enterprises, reaching maximum effectiveness of the enterprises' activity, finding key parts of production and consequently finding suitable strategic partner.

**4. Background and authority for the subsidy**

Ministry of Industry and Trade

**5. Legislation under which it is granted**

Act No. 59/2000 Coll. on State Aid  
Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Guarantee

Others (capitalisation of receivables, remission of payments prescribed by law, cession of receivables, etc.)

**7. To whom and how the subsidy is provided**

The subsidy was provided to the enterprises of engineering, car industry and petrochemical industry.

All the measures are adopted on the basis of negotiations with all the interested entities (clients, creditors) and with regard to sensitive economic, financial and social aspects. The aid has been assessed and approved by the Office for the Protection of Competition of the Czech Republic.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of state aid was CZK 41.4 billion in 2001 and CZK 90.3 billion in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Specified in each case, according to the maturity of guaranteed credits.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**SMALL AND MEDIUM-SIZED ENTERPRISES**

**1. Title of the subsidy**

Promotion of Small and Medium-Sized Enterprises

**2. Period covered by the notification**

2001-2002

**3. Policy objective and/or purpose of the subsidy**

Support of small and medium enterprises in structurally disadvantaged and economically weak regions, jobs creation

**4. Background and authority for the subsidy**

Ministry of Industry and Trade  
Ministry for Regional Development

**5. Legislation under which it is granted**

Act No. 47/2002 Coll. on the Promotion of Small and Medium-Sized Enterprises  
Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant  
Guarantee  
Contribution to coverage of interests  
Loan

**7. To whom and how the subsidy is provided**

Financial aid was provided to disadvantaged regions (esp. due to the high level of unemployment) under the regional schemes and to the enterprises under the schemes in gestion of the

Ministry of Industry and Trade (e.g. consultancy and education services for small and medium-sized enterprises, non-banking credits for small enterprises)

The aid was provided by the Czechomoravian Guarantee and Development Bank (Českomoravská záruční a rozvojová banka, a.s.) set up by the Decision of the Government.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of the subsidy was CZK 1 529.09 million (of which CZK 1 469.2 million in form of grants and CZK 59.89 million in form of loans) in 2001, and CZK 1 926.2 million (of which CZK 493.8 million in form of grants, CZK 669.8 million in form of guarantees and guarantee price advantages, CZK 465.7 million for contribution to cover interests on credits and CZK 296.9 million in form of credits) in 2002. From the total amount CZK 1 926.2 million, financial aid of CZK 302.9 million was provided to regions in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Programmes are set up for the period 2001-2004.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**INVESTMENT AID**

**1. Title of the subsidy**

Aid for foreign and domestic investments

**2. Period covered by the notification**

2001-2002

**3. Policy objective and/or purpose of the subsidy**

Support of creation new jobs, retraining of employees, development of industrial zones.

**4. Background and authority for the subsidy**

Ministry of Industry and Trade  
Ministry of Finance  
Ministry of Social Affairs

**5. Legislation under which it is granted**

Act No.72/2000 Coll., on Investment Incentives, as amended by Act No. 453/2001 Coll.  
Act No. 218/2000 Coll., on Budgetary Regulations

Decision by the Government No. 573 of 5 June 2002 (Creation of Framework Aid Scheme for Establishment and Expansion of Technology Centres and Framework Aid Scheme for Strategic Services)

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant  
Others

**7. To whom and how the subsidy is provided**

2001 – Tax incentives were used by 11 companies, incentives for creation of new jobs and retraining were used by 12 companies. The aid in form of favoured investment conditions was drawn by 10 entities.

2002 – Tax incentives were used by 30 companies and incentives for creation of new jobs and retraining were used by 3 companies.  
Subsidy under this scheme is provided in harmony with decision of the Office for Protection of Competition of the Czech Republic.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of aid provided for a support of foreign and domestic investments was CZK 1 026.8 million (of which CZK 911.1 million in form of investment incentives and CZK 115.7 million in favoured sale of real estates) in 2001 and, CZK 2 085 million (of which CZK 1 921.8 million in form of investment incentives and CZK 163.2 million in form of favoured sale of real estates) in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Specified in each contract.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**MINING INDUSTRY**

**1. Title of the subsidy**

Support for coal and ore mining

**2. Period covered by the notification**

2001-2002

**3. Policy objective and/or purpose of the subsidy**

This subsidy has been established to cover the costs stemming from structural adjustment in coal and ore mining activities and progressive reduction of production.

**4. Background and authority for the subsidy**

Ministry of Industry and Trade



**5. Legislation under which it is granted**

Act No. 218/2000 Coll., on Budgetary Regulations  
Act No. 44/1988 Coll., on Protection and Utilisation of Mineral Resources

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

**7. To whom and how the subsidy is provided**

Companies engaged in coal and ore mining activities and covered by the government resolution and technical plan of liquidation of mining capacities, covering social-health costs, compensation of ecological damage and revitalization of environment.

Subsidy has to be approved by the Office for Protection of Competition of the Czech Republic.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy.**

**2001** - The total amount of subsidy was CZK 3 030.6 million, of which:

- \*CZK 2 557.4 million in form of non-investment grants,
- \*CZK 225.8 million in form of investment grants,
- \*CZK 247.4 million on redressing damage on environment caused by exploitation.

**2002** – The total amount of subsidy was CZK 113.5 million, of which:

- \*CZK 105.5 million in form of non-investment grants,
- \*CZK 8.0 million on redressing damage on environment caused by exploitation.

**9. Duration of a subsidy and/or any other time limits attached to it**

Not limited, long-term character, based on the government plan of reduction of mining activities.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**REGIONAL AID**

**1. Title of the subsidy**

Aid for endangered regions and regional aid

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Development of industrial business entities, restructuring within the sectoral operation scheme in industry, development of human resources in industry, support of creation of new jobs

**4. Background and authority for the subsidy**

Ministry for Regional Development  
Ministry of Trade and Industry

**5. Legislation under which it is granted**

Act No. 248/2000 Coll., on Support of Regional Development  
Act No. 218/2000 Coll., on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant (not exceeding 50 per cent of the total budget investment project costs).

**7. To whom and how the subsidy is provided**

The aid was provided under the following schemes:

(1) "Regional Aid Scheme for Development of Industrial Business Entities on the Territory of NUTS 2 North -West and Ostravsko". Under this scheme aid was granted to 53 and 20 beneficiaries in 2001 and 2002 respectively.

(2) "Sectorial Operation Scheme for Years 2001-2006 – Industry" Under this scheme aid was provided to 97 beneficiaries in 112 projects and, 44 beneficiaries in 45 projects in 2001 and 2002 respectively.

(3) "Fund of Investments in Production Sector". This scheme, aimed on small and medium-sized enterprises was applicable for the period 2002 – October 2003.

Conditions for the application were set up by the Government Decisions and subsidies were awarded through tender procedures.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of subsidy was CZK 628.8 million (of which CZK 424.6 million under regional aid scheme and CZK 202.2 million under Sectorial operation scheme in Industry) in 2001, and CZK 560 million (of which CZK 135.4 million under to the regional aid scheme, CZK 97.9 million under Sectorial operation scheme in Industry, and CZK 326.7 million under the scheme of investments in production sector) in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Not limited, by a single application.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

## **TRANSPORT**

**1. Title of the subsidy**

Support for Transport Organisations

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Support for the railway and road transport to cover operating losses resulting from public transport's operation, revitalisation of car park, development of combined transport.

**4. Background and authority for the subsidy**

Ministry of Transport

**5. Legislation under which it is granted**

Act No. 111/1994 on Road Transport

Act No. 266/1994 on Railway Service

Decision by the Government No. 632/2000 on Revitalisation of Car Fleet of City Transport and Public Transport

Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

Guarantee

**7. To whom and how the subsidy is provided**

The subsidy is provided to the state railway and private railroads companies within the schemes "Personal Railroad Transport" and "Aid for Development of Pick-a-Back Transport".

Conditions of application are decided by the Government, subsidy has to be approved by the Office for Protection of Competition of the Czech Republic.

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of the subsidy was CZK 646.6 million (of which CZK 583.7 million in form of grants and CZK 62.9 million in form of state guarantee for a bank credit) in 2001 and, 4 811 million (of which CZK 4 702.3 million in form of non-investment grant, and CZK 108.7 million in form of a state guarantee for a bank credit) in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

Programmes are set up for the period 2001-2003.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**AGRICULTURE**

**1. Title of the subsidy**

Support for Agriculture.

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Support producers in disadvantaged regions, restructuring of production, reduce arable land in less-favoured areas, ensure the safety of imported products

**4. Background and authority for the subsidy**

Ministry of Agriculture

**5. Legislation under which it is granted**

Act No. 252/1997 Coll. on Agriculture

Government Regulation No 505/2000 Coll. on Support of Non-production Functions of Agriculture.

Government Regulation No 86/2001 Coll. on Conditions for Fixed-Area

Act No. 218/2000 Coll. on Budgetary Regulations

Decision by the Government Establishing the Farming and Forestry Support and Guarantee Fund (PGRLF)

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant  
Loan

**7. To whom and how the subsidy is provided**

The support is provided to farmers within the Product-specific and Non-product-specific AMS (Aggregate Measurements of Support), under the Set-Aside Programmes and within the "Green Box"(domestic food aid, relief from natural disasters, retirement programmes, environmental programmes, etc.).

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of the subsidy (million CZK)	2001	2002
*AMS	5 495.9	4 812.9
*Green Box	8 150.5	5 156.1
*Set-Aside Programmes	613.1	787.8

**9. Duration of a subsidy and/or any other time limits attached to it**

Individually, according to the programme.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

**TOURISM**

**1. Title of the subsidy**

Support for the area of tourism

**2. Period covered by the notification**

2001 - 2002

**3. Policy objective and/or purpose of the subsidy**

Development of small and medium enterprises in the area of tourism, creation of new jobs, creation of new and regional tourism products, increase and more quality propagation and informedness on the Czech Republic abroad.

**4. Background and authority for the subsidy**

Ministry for Regional Development

**5. Legislation under which it is granted**

Decision by the Government No. 682/2000 on Strategy of Regional Development of the Czech Republic

Act No. 218/2000 Coll. on Budgetary Regulations

**6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)**

Grant

**7. To whom and how the subsidy is provided**

Aid is provided from the state budget in the framework of sub schemes "Aid for Owners of Spa Infrastructure" and "Aid for Construction of Additional Tourism Infrastructure for Sport and Leisure Activities".

**8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy**

The total amount of the subsidy was CZK 122.9 million in 2001 and CZK 185.5 million in 2002.

**9. Duration of a subsidy and/or any other time limits attached to it**

The state aid scheme for tourism has been implemented since 2001.

**10. Statistical data permitting an assessment of the trade effects of a subsidy**

Not available.

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