

**Permanent Representation of Romania  
to the EU**  
Competition & State aid



*Study on the social & economic impact of State aid  
granted to  
undertakings operating within industrial parks in  
Romania*

**Kyiv, February 24th, 2016**

# *The objective of the study*



Evaluation of the economic & social impact of State aid granted to undertakings and residents operating within special economic zones in Romania, business structures known as Industrial Parks ("IP") (scientific – "SP" or technologic – "TP" structures as well)

# General information



- § Study based on data & information from **2002 to 2011**;
- § Data available for **43 IPs, SPs and TPs out of 50 functional business structures**;
- § Sources of information:
  - **Preliminary database** comprising all information available at the level of the State aid Department within the Competition Council;
  - Data gathered through **questionnaires**.

# Dedicated legislation to entitle business structures as IPs



- \* **GEO no. 65/2001** regarding establishing and functioning of the IPs, *modified, completed and approved by Law no. 490/2002*);
- \* **GEO no. 14/2002** regarding establishing and functioning of the SPs & TPs, *modified, completed and approved by Law no. 50/2003*;
- \* **e.g.: Single article: art.23 of GEO no. 115/2003** regarding privatization of "Roman" - S.A. Braşov company and establishing an IP on the platform of the former SOE

# Special facilities for IPs



## ❖ Art. 7 of GEO 65/2001:

- **Tax exemptions** for changing destination of lands dedicated to an IP (applicable to a company/association which had the license for a park);
- **Reduction of taxes** applied by the local administrations (local County Councils, local City Halls, etc.) of the areas where the IPs are located, reductions for assets and lands used for the functioning of the IP;
- Other special facilities that could be granted by the local administration.

# Special facilities for IPs



## ❖ art. 250 of the Fiscal Law:

“Buildings for which taxes are exempted are the following: (....)

9. *Buildings used by IPs, SPs and TPs(...)*”

## ❖ art. 257 of the Fiscal Law:

“Taxes for land will not be paid for: (....)

1) *Lands used by IPs, SPs and TPs(...)*”

Important: according to art. 1 (5) of the Fiscal Law: *Any fiscal measure which constitutes State aid is granted only if it is compliant with the national State aid framework.*

# Special facilities for IPs



❖ **State aid scheme – Regional aid granted for investment in IPs - XR 160/2007, approved by Order no. 296/2007 of the Minister of Administration and Interior**

“a) **exemptions from paying taxes for buildings, according to the Fiscal Law (art.250)**

b) **exemptions from paying taxes on lands, according to the Fiscal Law (art. 257)**

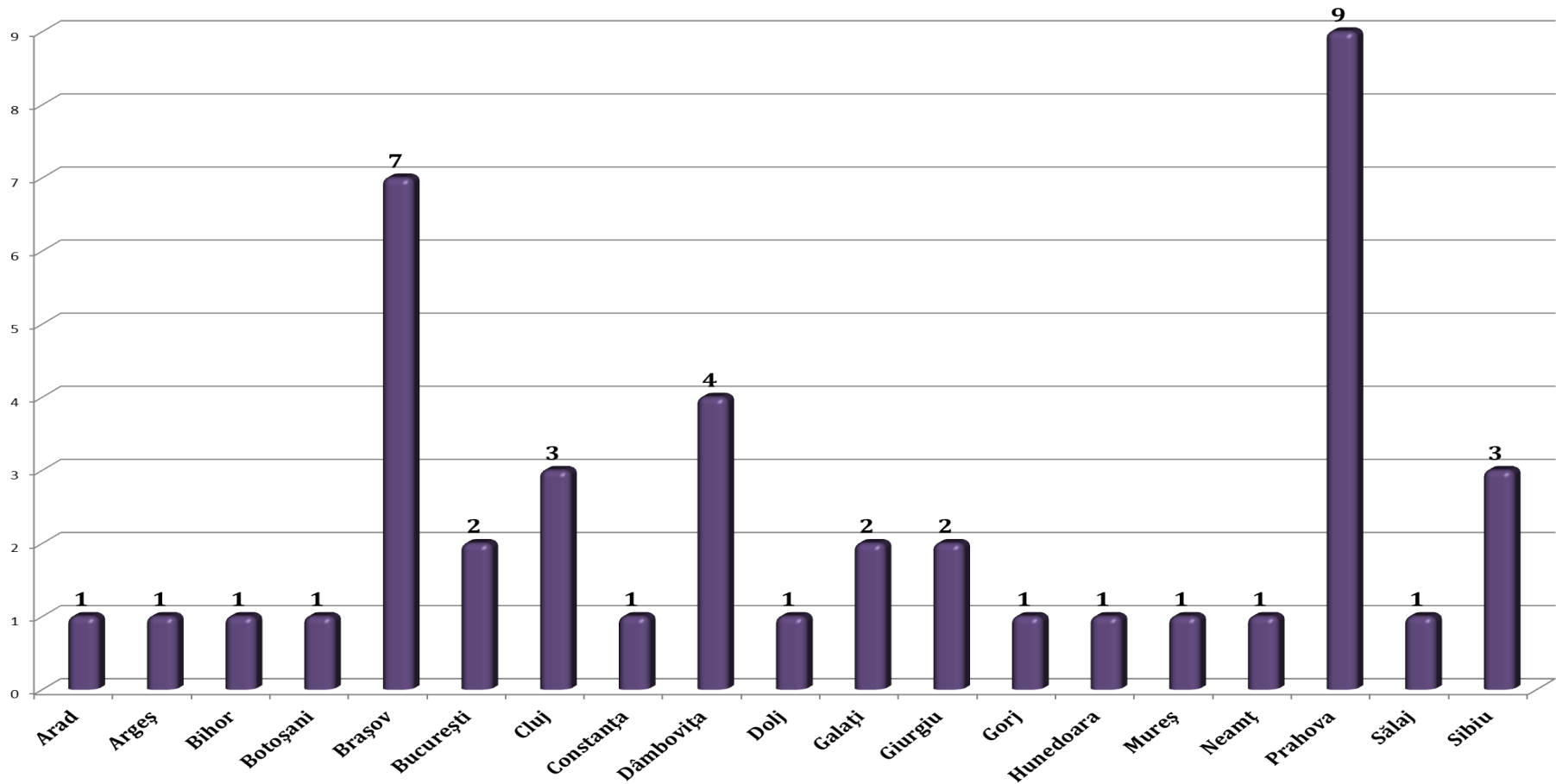
c) **tax exemptions for changing destination of lands used within the IPs, according GEO no. 65/2001 (art. 7a) ”**

## ❖ **de minimis aid:**

Grantors could initiate *de minimis*/individual schemes towards beneficiaries who administrate IPs, if compliant with the Commission Regulations on *de minimis*.

# Information related to IPs

## Location and number of parks per county

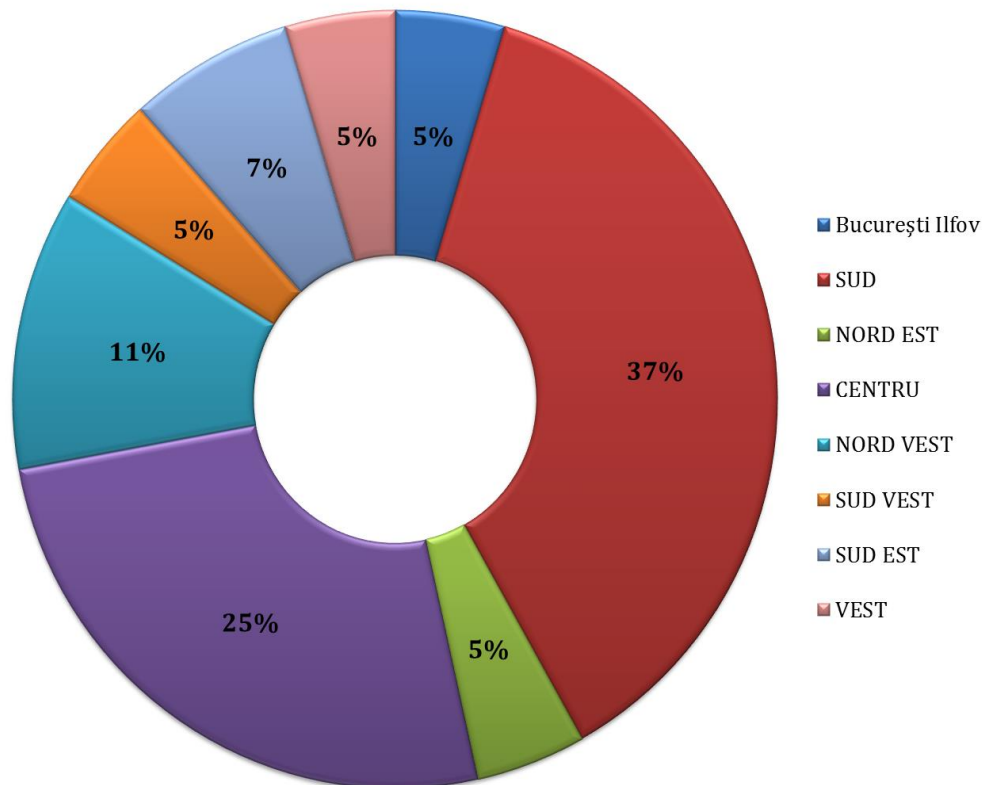


Sursa: Consiliul Concurenţei - Direcţia Ajutor de Stat ; chestionare autorităţi locale; chestionare societăţi administrator.



# Information related to IPs

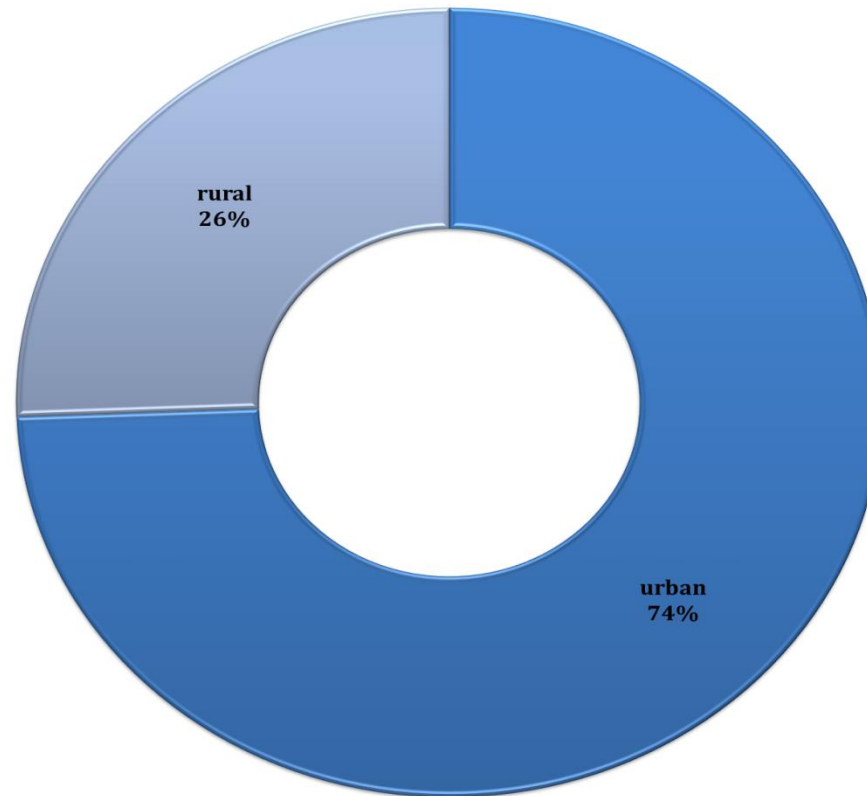
## Location of IPs within the Development Regions



Sursa: Consiliul Concurenței - Direcția Ajutor de Stat; chestionare autorităților locale și societăți administrator.

# Information related to IPs

## Localization of IPs in urban/rural areas

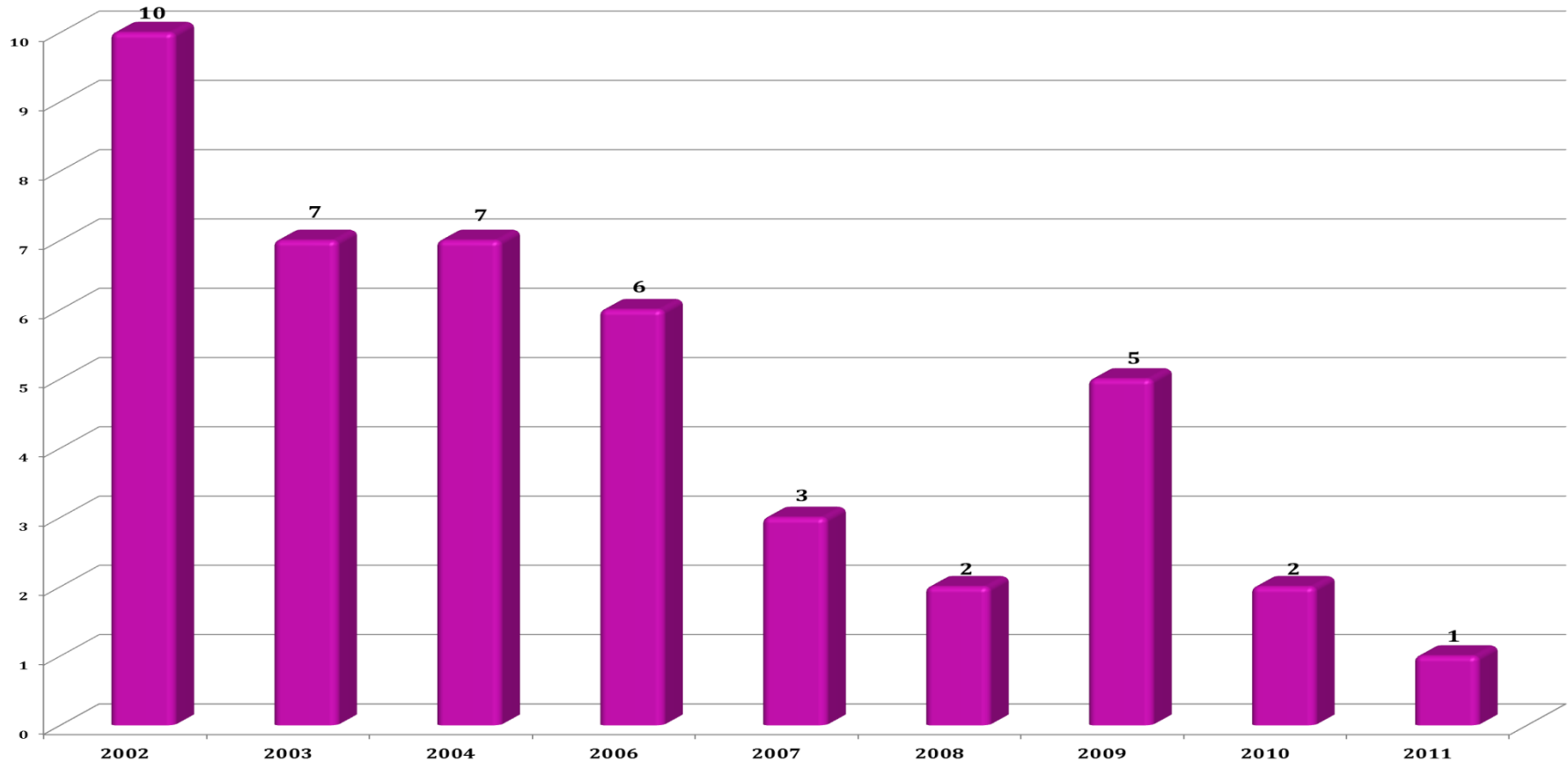


*Sursa: Consiliul Concurenței - Direcția Ajutor de Stat ; chestionare autorități locale și societăți administrator.*

# Information related to IPs



Number of parks established between 2002 - 2011



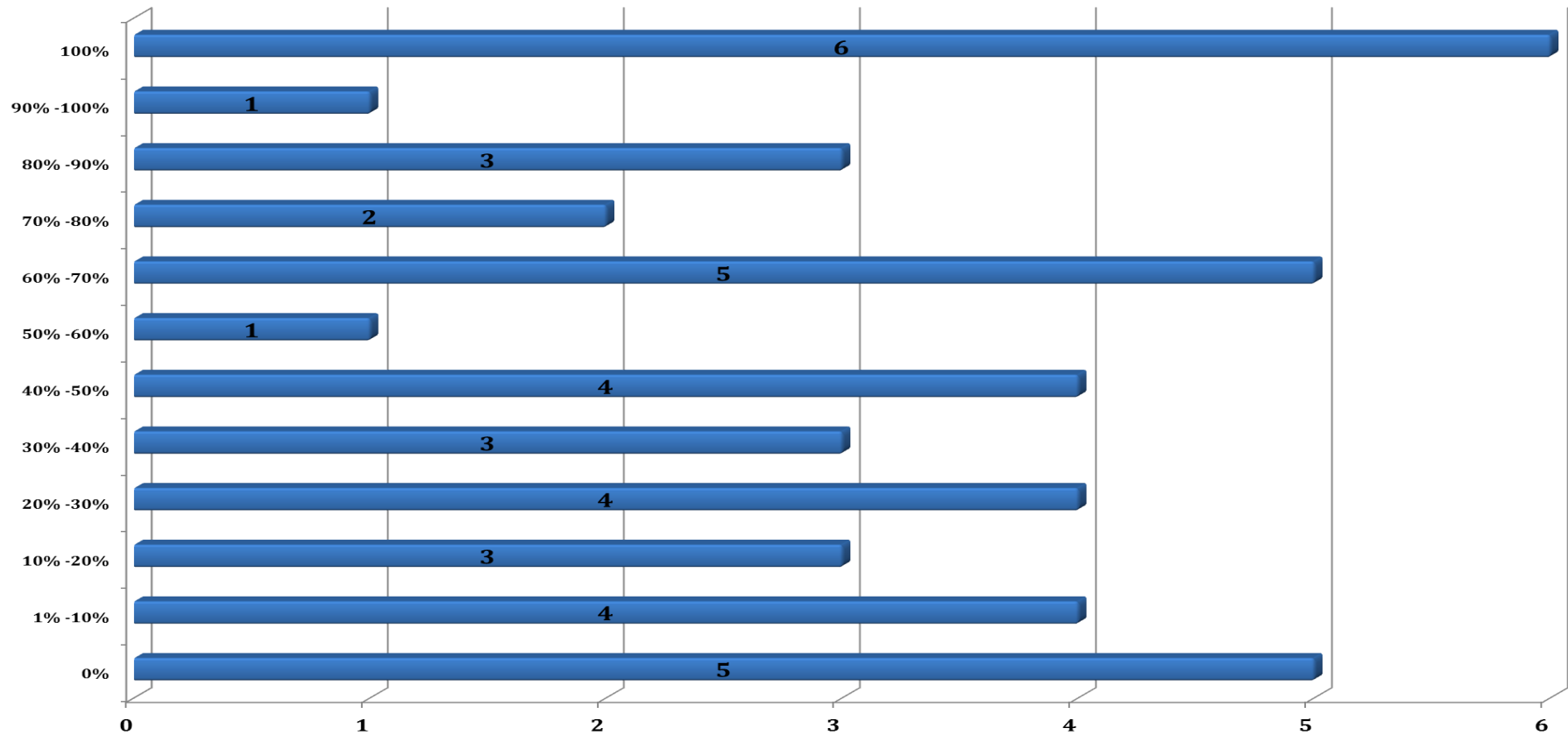
Sursa: Ministerul Administrației și Internelor.

2009 – economic crisis – public support needed and the State intervened

# Information related to IPs



## Filling percentage of the IPs

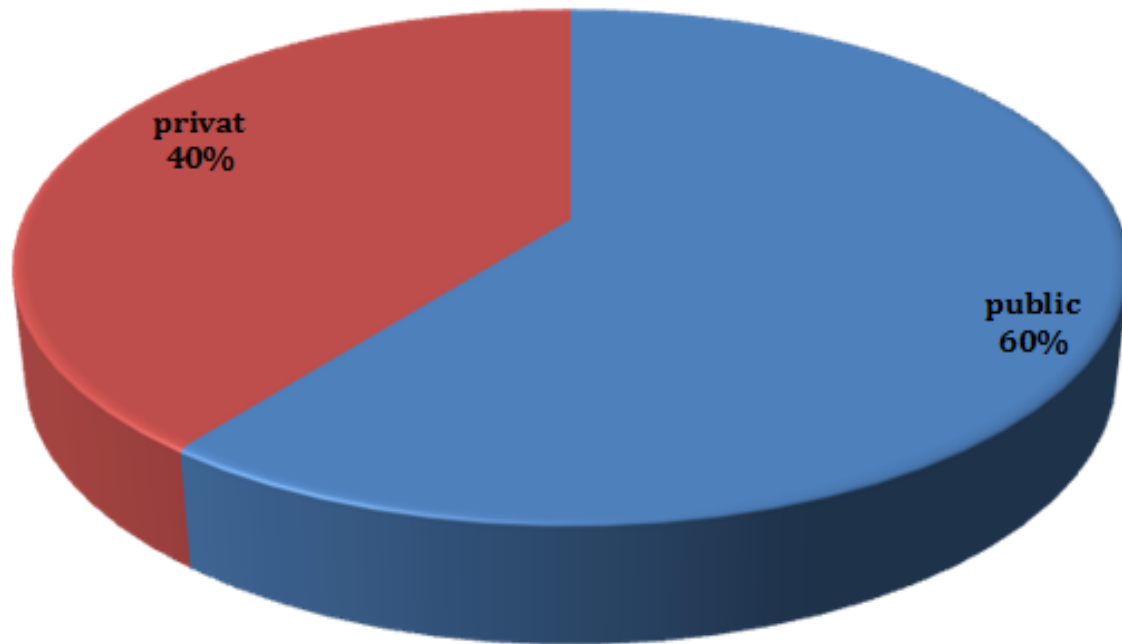


Sursa: Consiliul Concurenței - Direcția Ajutor de Stat; Ministerul Administrației și Internelor.

# Information related to IPs administrative companies



## Shareholders structure

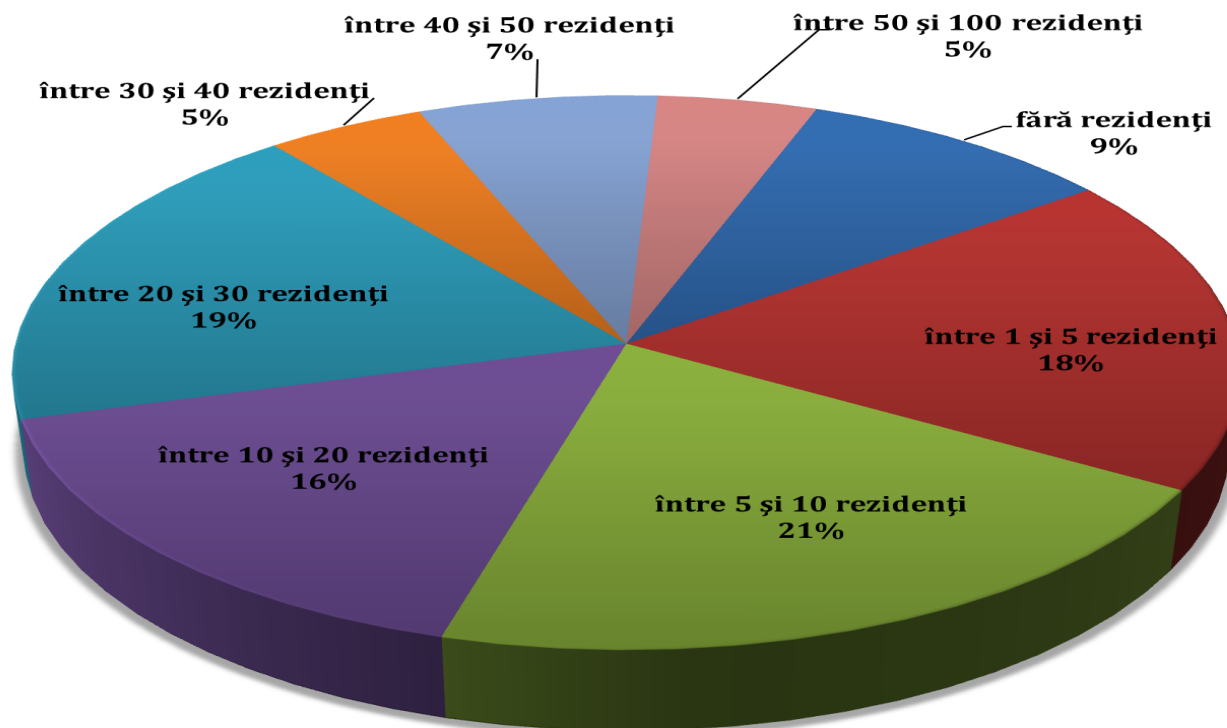


*Sursa: Consiliul Concurenței - Direcția Ajutoare de Stat; chestionare societăți administrator.*

# Information related to residents within IPs



## Structure of IPs based on the number of registered residents

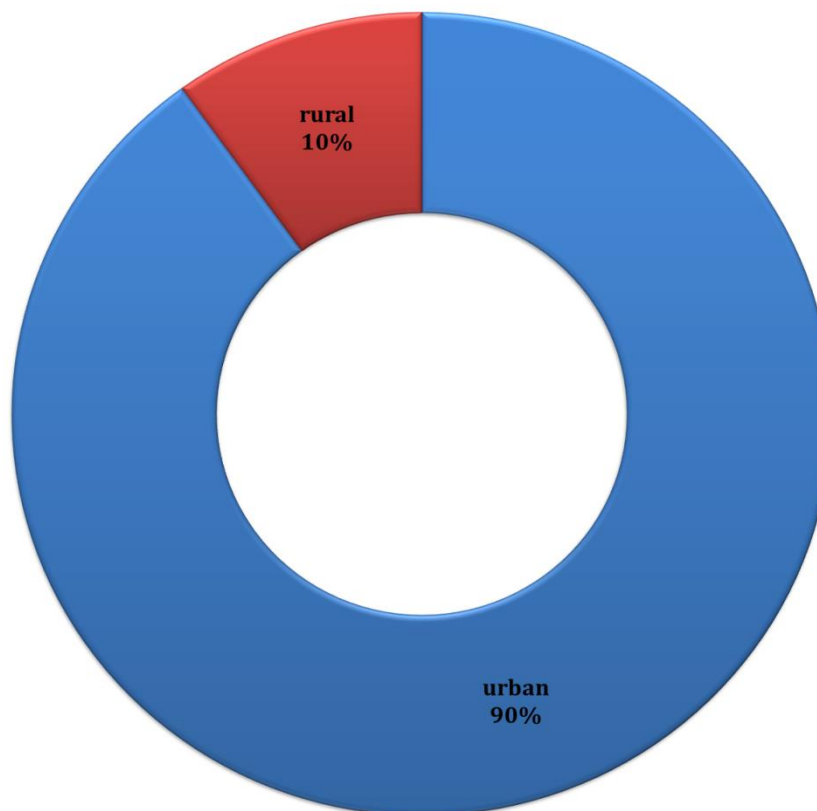


Sursa: Consiliul Concurenței - Direcția Ajutor de Stat ; Chestionare societăți administrator.

# Information related to residents within IPs



## Residents in urban / rural locations

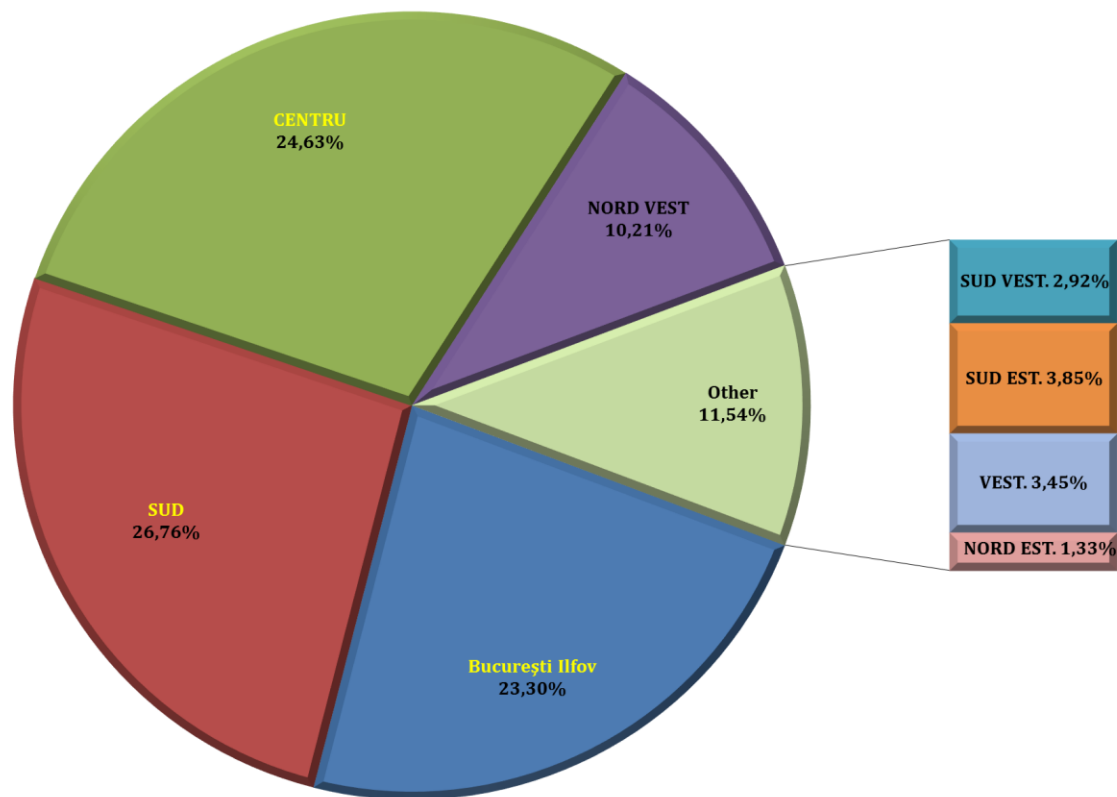


*Sursa: Consiliul Concurenței - Direcția Ajutor de Stat ; Chestionare societăți administrator.*

# Information related to residents within IPs



## Residents` localization based on development regions



Sursa: Consiliul Concurenței - Direcția Ajutor de Stat ; Chestionare societăți administrator.

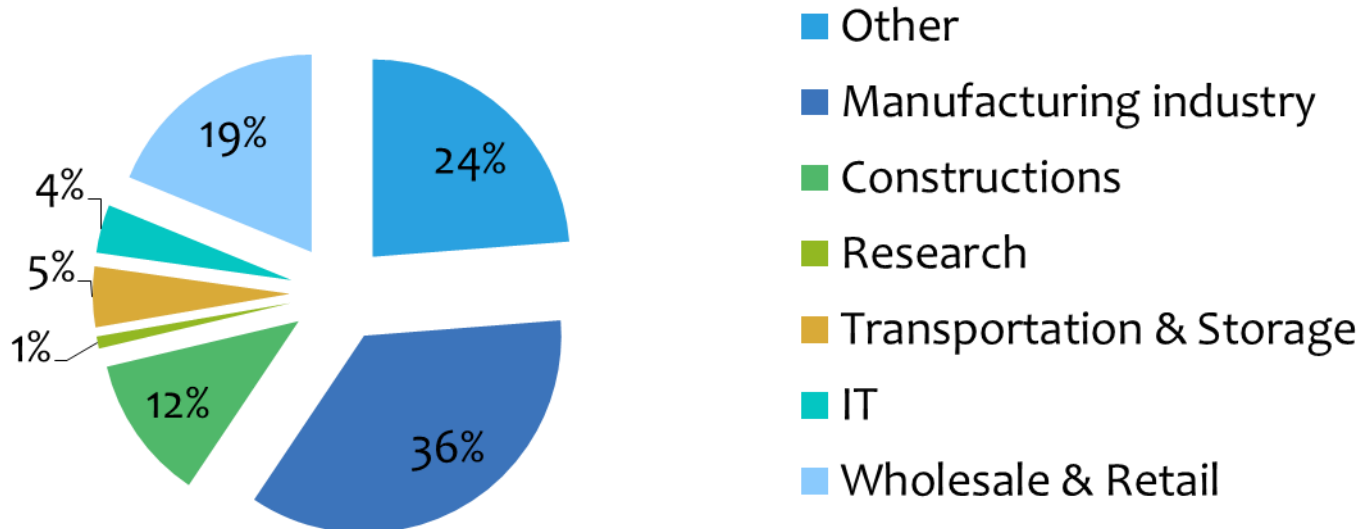


# Information related to residents within IPs



Activities carried out by residents

## Structure of activities – relevant percentage



# Information related to State aid



## Number of identified State aid beneficiaries:

\*Administrator companies of 34 IPs (administrators of 9 IPs have not been granted State aid);

\*159 residents.

## Annual value of State aid granted

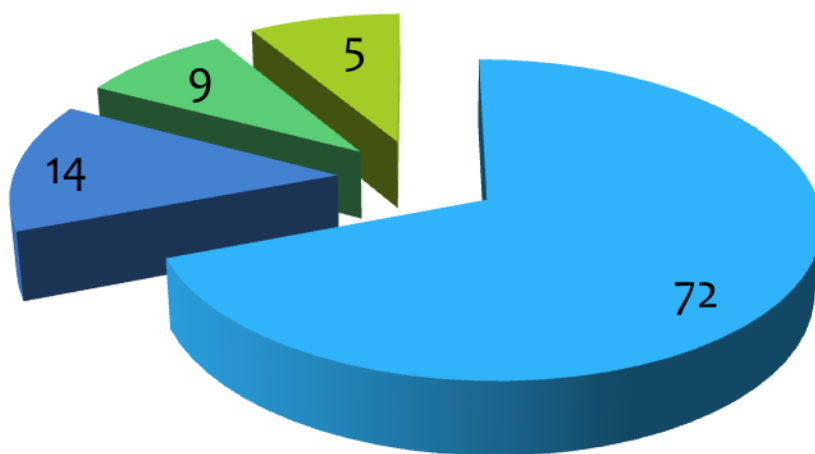
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Mio EUR	0,03	0,28	0,90	0,81	0,92	0,87	2,7	1,98	2,49	2,78	13,77
% in the total Regional aid granted in RO	0,04	0,55	1,47	3,19	3,69	4,57	6,6	4,55	1,76	0,98	1,78

# Information related to State aid



## Structure of granted State aid – types of measures

### Types of measures and percentage



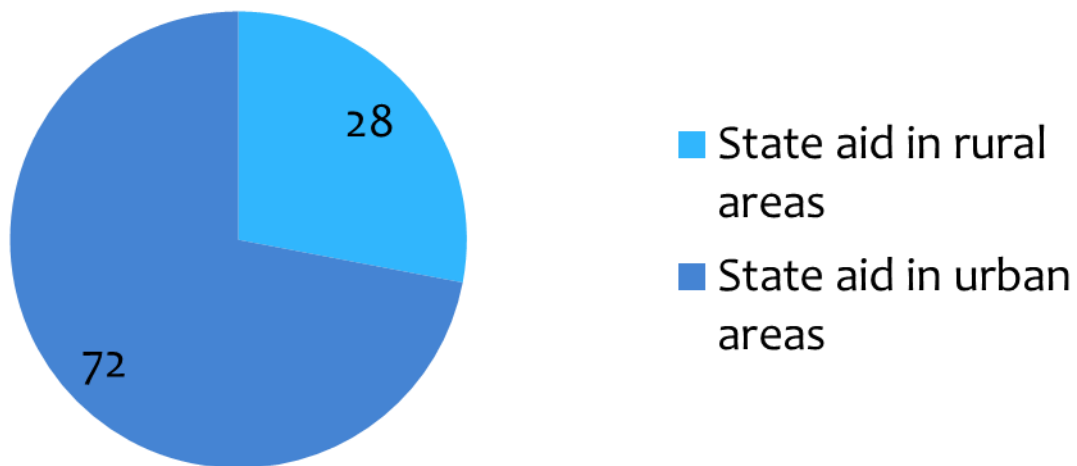
- Tax exemption for buildings
- Tax exemption for land
- Tax exemptions for changing destination of lands
- Other

# Information related to State aid

Structure of granted State aid – rural/urban



## Structure of aid in rural/urban areas



# Information related to investments



## Number of undertakings under analysis:

(in terms of concrete investments)

- \* Administrator companies of 34 IPs (administrators of 9 IPs have not been granted State aid)
- \* 63 residents (beneficiaries who answered to our questionnaires).

## Investment global value made by State aid beneficiaries who have submitted data & information

Mio EUR	Admin companies	Residents	Total
Investments made by State aid beneficiaries	175	125	300

# Information related to investments



Investments made by administrator companies – according to the structure of shareholders

Mio EUR	Investments made	% in total investments	No. of parks	Average investments per park
Parks with public administrators	71,4	40,8		3,57
Parks with private administrators	103,6	59,2	11	9,41
Total	175	100%	31	

# Information related to State aid intensities



## Administrator companies

- \* Average intensity - **3,41%**
- \* Administrator companies of 9 IPs have not benefitted from State aid
- \* Administrator companies of 23 IPs did not go over the threshold neither of intensities provided by the legal framework nor of 200.000 de euro of *de minimis aid*

# Information related to State aid intensities



## Residents

- \* **2,2% average intensity;**
- \* 24 de residents benefitted from State aid outside the approved scheme or *de minimis*, out of which 6 did not make any investment;
- \* 2 residents benefitted from *de minimis* without making any investment.



# Information related to analyzed undertakings



## **Number of analyzed undertakings: (Turnover, financial results, no. of employees)**

- \* Administrator companies of 34 IPs (administrators of 9 IPs have not been granted State aid);
- \* 63 residents (beneficiaries who answered to our questionnaires).

# Information related to the economic status of Administrator companies



## Total turnover in evolution - period 2002 - 2011

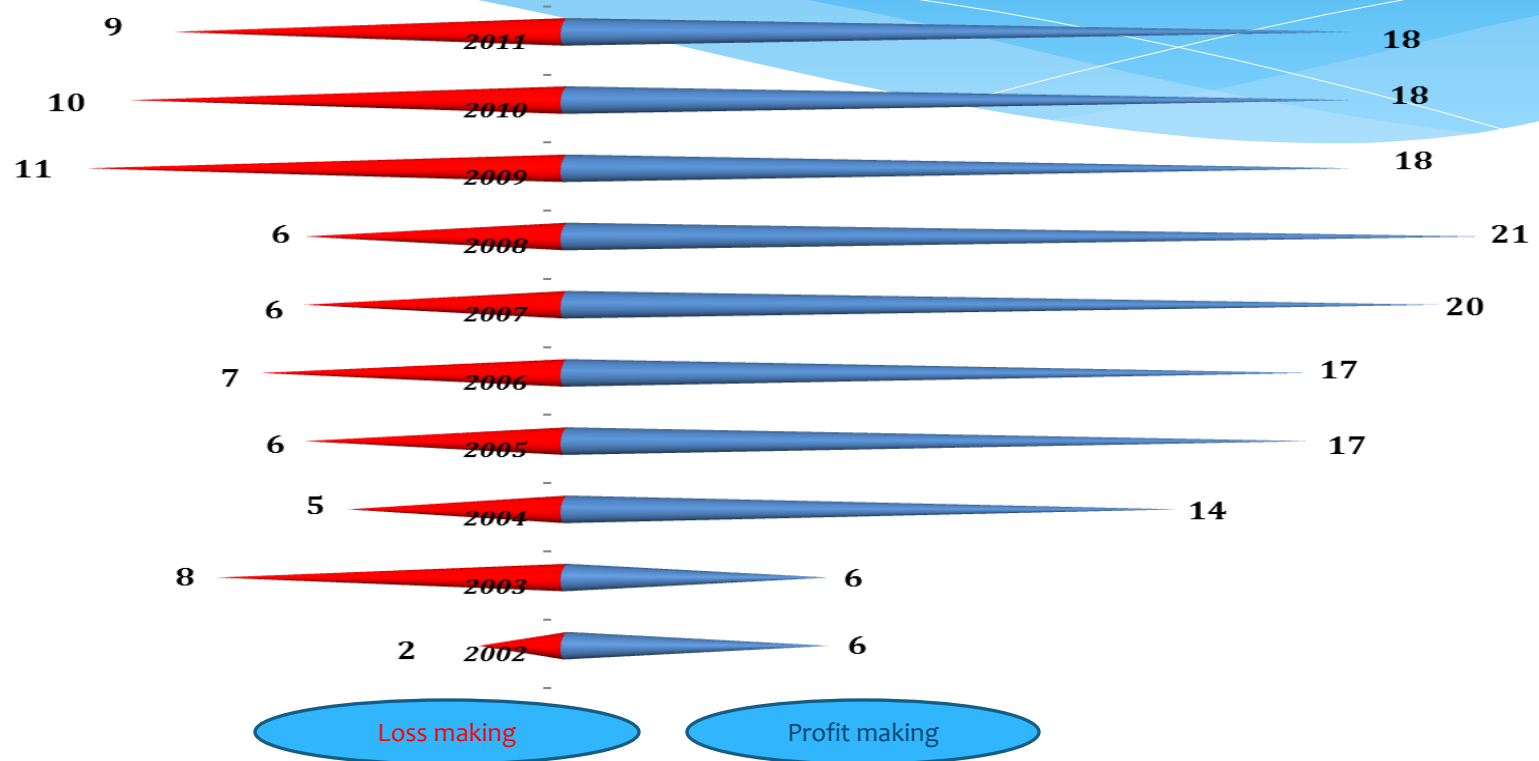
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mio EUR	2,62	3,85	6,08	9,9	14,24	15,9	21,48	21,35	20,89	30,28

The turnover of administrator companies has grown almost 9 times from 2002 to 2011

# Information related to the economic status of Administrator companies



No. of companies on profit – in blue /loss – in red,  
both in evolution 2002-2011



Sursa: Consiliului Concurenței - Direcția Ajutor de Stat; chestionare societăți administrator, Ministerul Finanțelor Publice.

Obs.: companies without activity were not included

# Information related to the economic status of Administrator companies



## Taxes and incomes paid by Administrator companies (State aid beneficiaries) between 2002-2011

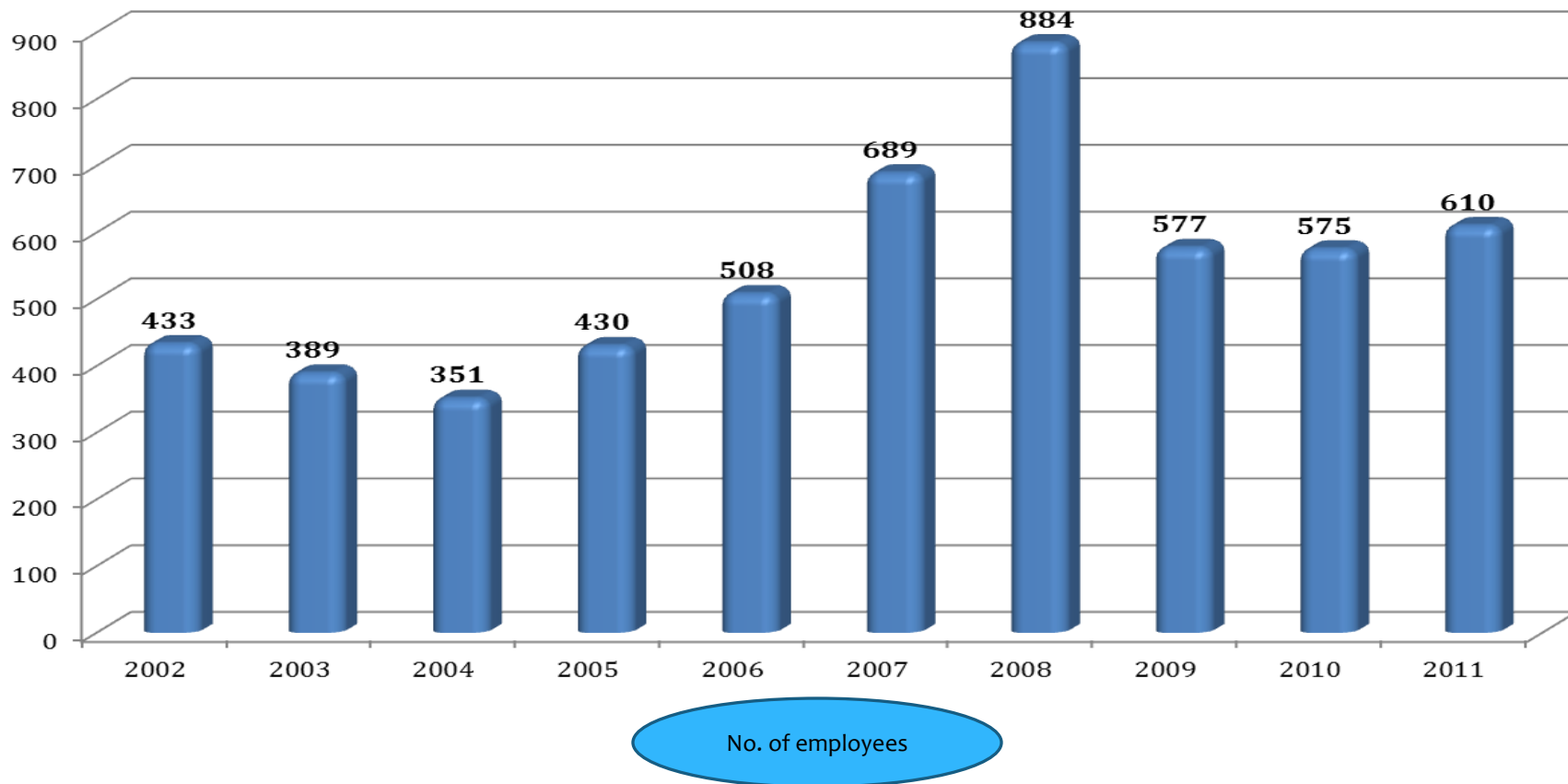
Year/ Budget	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
State	0,25	0,32	1,11	1,41	1,35	2,87	6,03	4,12	3,26	3,53	24,3
Social insuranc e	0,23	0,22	0,26	0,36	0,49	0,74	1,25	1,06	1,01	1,17	6,82
Health	0,1	0,07	0,11	0,16	0,22	0,34	0,51	0,38	0,51	0,42	2,86
Local	0,03	0,04	0,03	0,13	0,29	0,16	0,1	0,18	0,13	0,18	1,3
<b>Total</b>											<b>35,28</b>

Values are in MIO EUR

# Information related to the economic status of Administrator companies



## No. of employees of the company between 2002 - 2011

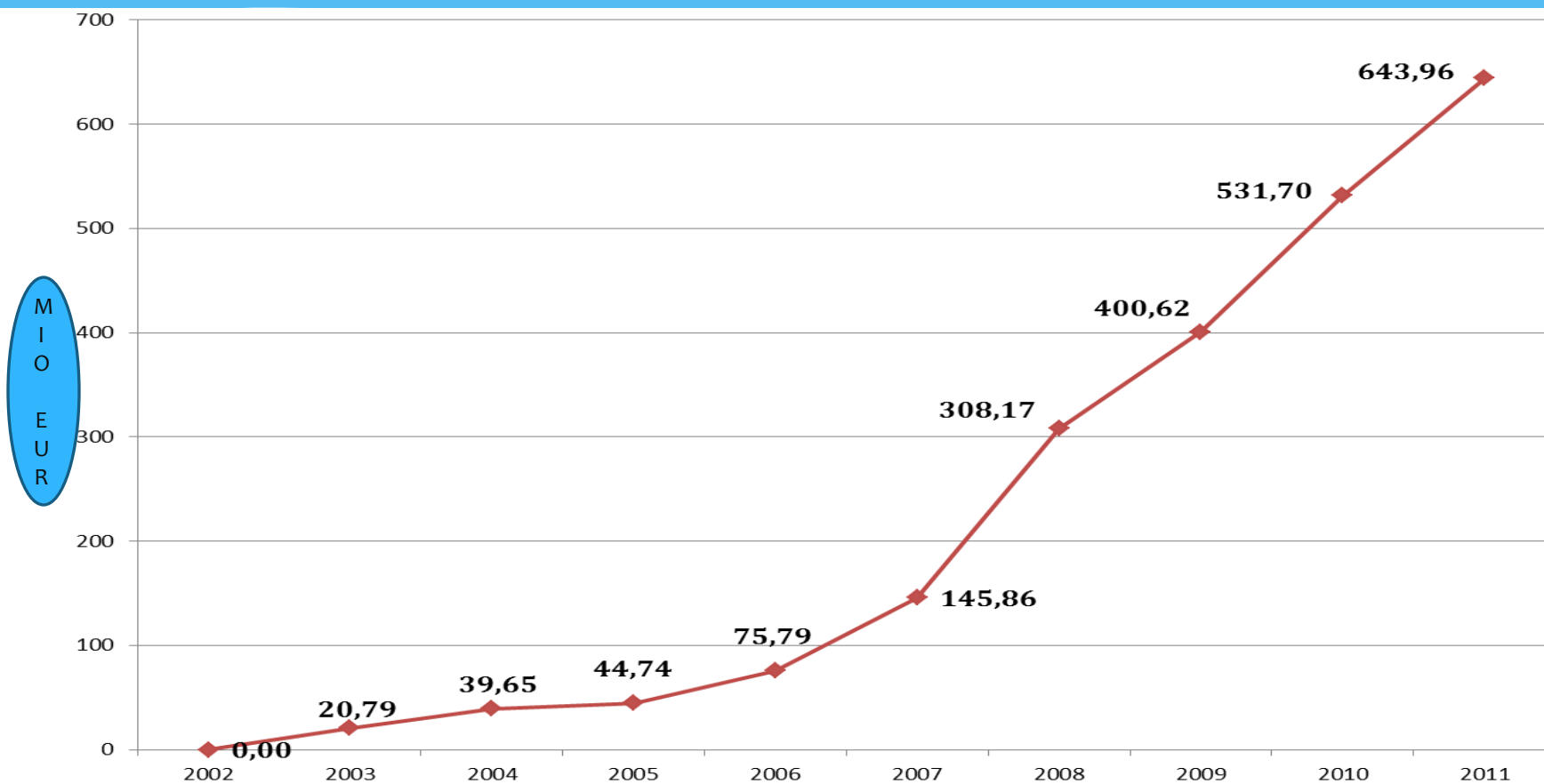


Sursa: Consiliului Concurenței - Direcția Ajutor de Stat; chestionare societăți administrator.

# Information related to the economic status of residents



## Total turnover in evolution - period 2002 - 2011

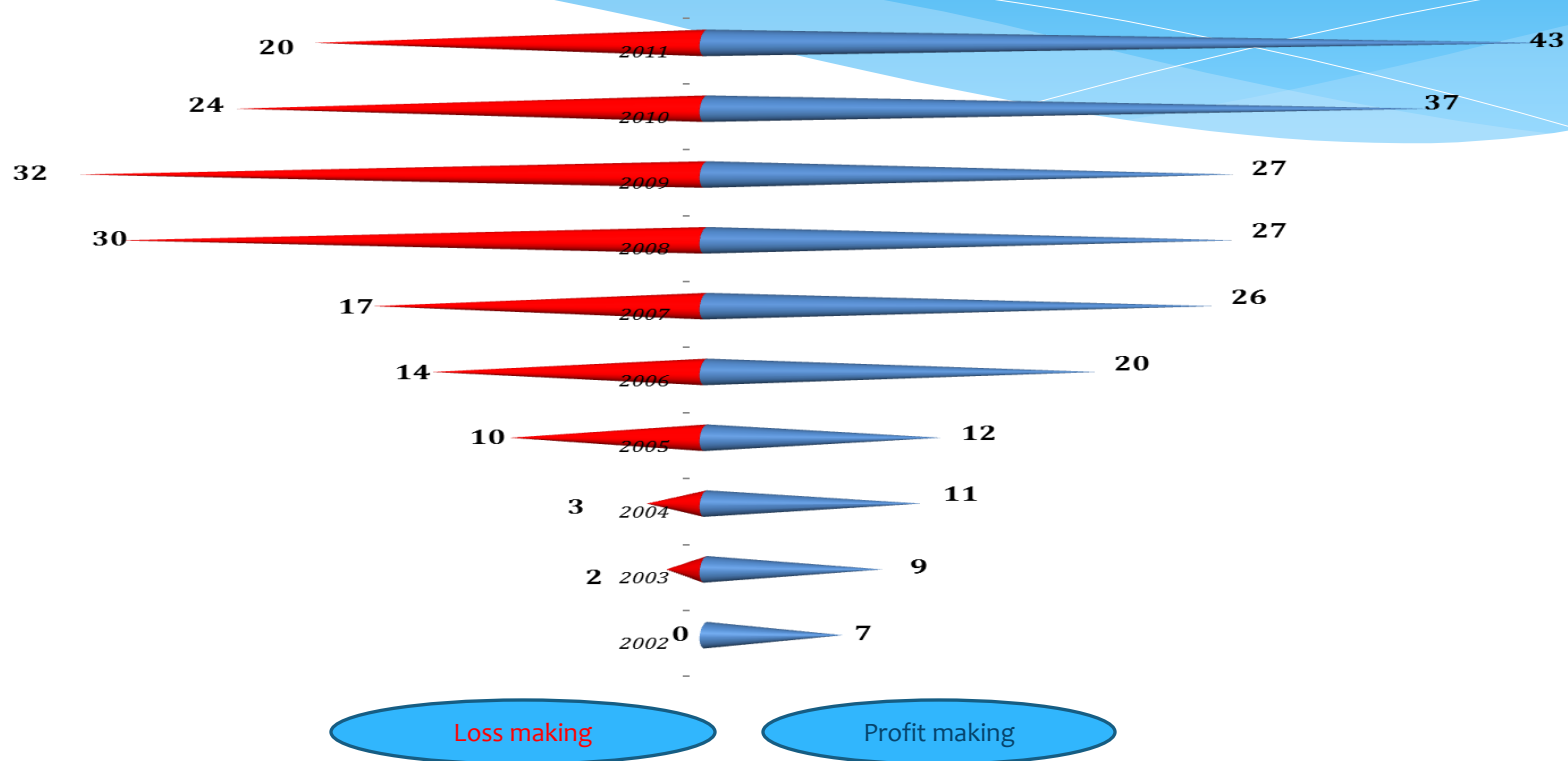


Sursa: Consiliul Concurenței - Direcția Ajutor de Stat; chestionare rezidenți; Ministerul Finanțelor Publice.

# Information related to the economic status of residents



## No. of companies on profit/loss in evolution 2002-2011



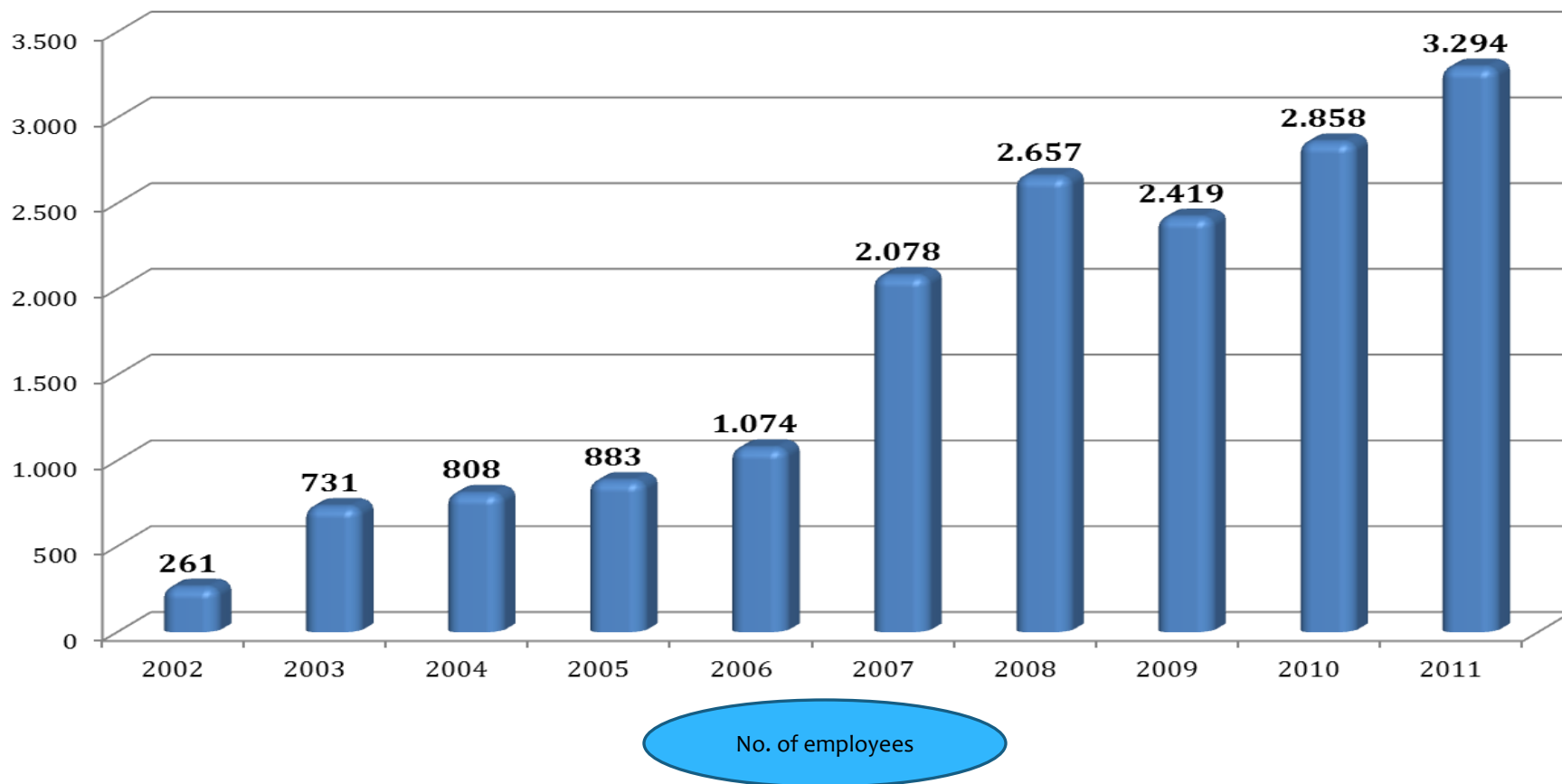
Sursa: Consiliul Concurenței - Direcția Ajutor de Stat; chestionare breziidenți, Ministerul Finanțelor Publice.

**Obs.:** no ref to residents with no activities or without available data

# Information related to the economic status of residents



## No. of employees of the company between 2002 - 2011



Sursa: Consiliul Concurenței - Direcția Ajutor de Stat; chestionare rezidenți.



## Information related to the economic status of residents



### Taxes and incomes paid by residents (State aid beneficiaries) between 2002-2011

Year/ Budget	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
State	0,58	0,81	1,04	2,04	2,59	6,17	7,74	7,82	12,21	13,7	54,83
Social insuranc e	0,39	0,62	0,66	1,61	2,02	2,88	3,62	3,91	4,44	5,04	25,25
Health	0,12	0,26	0,31	0,59	0,87	1,08	1,30	1,21	1,28	1,42	8,47
Local	0,002	0,015	0,03	0,1	0,38	0,32	0,84	0,43	0,28	0,43	2,86
<b>Total</b>											<b>92.88</b>

## Conclusions I



1. Specific legislation for IPs, TPs and SPs has set up an institutional framework to allow especially to local authorities to attract investors in their administrative areas.
2. Support measures had a minor impact on the decisions made by resident companies to invest in these special structures.
3. Special exemptions granted to IPs had a minor contribution to reduction of disparities between the Romanians regions, which is one of the most important goals of both State aid and Structural Funds.

## Conclusions II



4. There is a certain need of in-depth analysis to see if it would be better to have IPs administrated by public companies instead of outsourcing the administrative tasks to private companies, which proved to have better results under same circumstances.
5. Some of the local authorities were less involved in the efforts to develop their administrative areas through support for IPs.
6. Local authorities, as grantors of State aid to IPs, proved to have insufficient knowledge of the State aid rules and of the special legislation dedicated to IPs.
7. There was a certain need to strengthen the monitoring activities carried out at the level of grantors.



**A.** To improve the collaboration of the Competition Council with local authorities, especially with those which encouraged IPs` set up, on issues related to State aid rules & compliance.

**B.** To start new programs of raising awareness and advocacy towards local authorities and State aid beneficiaries, aiming to a better understanding of the legal provisions and to a better ratio between public support and the expected development outcomes.



### **C. Launching new discussion between the Competition Council and different Ministries such as Ministry of Internal Affairs, of Regional Development, of Public Finances, etc. based on:**

- The necessity of amending the legislative framework;
- A new structure of the tools used for the public support (e.g.: introduction of guarantees, etc.);
- The opportunity to support IPs through additional funds such as Structural funds;
- The possibility of granting State aid through tendering processes;
- The necessity of granting aid only after securing a solid contract between grantors and beneficiaries, to make sure beneficiaries will definitely fulfill their obligations to invest in the areas, to develop employment, etc.



- The implementation of tools for increasing the level of involvement on the local authorities side in order to develop IPs structure;
- Appropriate monitoring exercises on State aid measures carried out by grantors, especially when it comes to fulfilling requirements imposed to beneficiaries, checks on intensities, cumulation, report, etc., with clear procedures for recovery in case of illegal aid or misused aid;

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**Competition & State aid**



*Thank you for your attention*

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