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SUBSIDIES

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

EUROPEAN COMMUNITIES

Addendum

The following addendum to the notification of the European Community relates to subsidy programmes of **Spain**.

SPAINCentral AdministrationTable of Contents

	<u>Page</u>
<u>CENTRAL ADMINISTRATION</u>	3
I. FISHERIES	3
1998 BUDGET – CO-FINANCED PART OF NATIONAL AID	3
AID TO SHIPOWNERS AFFECTED BY THE STOPPAGE OF FISHING	3
II. INDUSTRY AND ENERGY	4
PROMOTION OF THE ECONOMIC AND SOCIAL SECTORS OF THE AGRI-FOOD INDUSTRY	4
MINING (OTHER THAN ENERGY)	5
ENERGY SAVING AND EFFICIENCY PLAN	6
AID TO SHIPBUILDING	7
A. SHIPBUILDING SUBSIDIES	7
B. INTEREST SUBSIDY FOR SHIPBUILDING LOANS	9
SUPPORT INITIATIVE FOR TECHNOLOGY, QUALITY AND INDUSTRIAL SAFETY (ATYCA)	10
AID UNDER TECHNOLOGICAL PROGRAMMES CONNECTED WITH THE SEAT MODERNIZATION PLAN	11
R&D PLAN FOR THE AERONAUTICAL SECTOR II	12
III. SMALL AND MEDIUM ENTERPRISES (SMEs)	13
SME INDUSTRIAL DEVELOPMENT INITIATIVE	13
ARTE/SME PROGRAMME	15
IV. REGIONAL SUBSIDIES	16
REGIONAL ECONOMIC INCENTIVES SCHEME	16

I. FISHERIES

1998 BUDGET – CO-FINANCED PART OF NATIONAL AID

Pursuant to Regulation 3699/93 setting out the criteria and conditions for the Community's structural measures in fisheries, aquaculture and the processing and marketing of the products thereof, IFOP (Royal Decree 798/1995 of 19 May), the following aid has been granted:

1. Individual compensatory premiums

Ptas 2 million were transferred to the Autonomous Communities. Ptas 750,000 were paid directly to individual fisherman.

2. Subsidies for the improvement of fishing

Ptas 93.81 million

3. Promotion of aquaculture

Ptas 185.34 million. Transferred to the Autonomous Communities.

4. Marine cultivation plans

Ptas 109.98 million. Transferred to the Autonomous Communities.

5. Reorganization and renovation of the fishing fleet

* Building and modernization: Ptas 4,400 million.

* Definitive stoppage: Ptas 3,424.7 million.

* Temporary stoppage: Ptas 1,394 million.

6. Conversion of the fishing fleet

* Establishment of joint ventures: Ptas 1,627.77 million.

7. Compensatory earlier retirement as a result of the reorganization of the fishing fleet

2 million pesetas, which were transferred to the Autonomous Communities.

AID TO SHIPOWNERS AFFECTED BY THE STOPPAGE OF FISHING

1. Title of the programme

Special economic aid to shipowners affected by the stoppage of fishing.

2. Period covered by the notification

Financial year 1999

3. Policy objective and/or purpose of the subsidy

In accordance with Article 14 of Council Regulation 3699/93, amended on 3 November 1998 by new Council Regulation 2468/98, Royal Decree 798/1995 was prepared on 19 May. Pursuant to Article 61 of that Royal Decree, assistance is provided for the temporary cessation of the activities of fishing fleets caused by unforeseen and non-repetitive events, and the requisite aid is granted to owners of fishing vessels fishing for cephalopods and trawling for black hake in the Moroccan fishing grounds, under the fishing agreement between the European Union and the Kingdom of Morocco, on account of the biological cessation of fishing during March and April 1999.

4. Authority

Order of 11 March 1999 (BOE, 13 March)

5. Form of the subsidy

Non-repayable subsidies

6. To whom and how the subsidy is provided

Shipowners in the fishing sector, through the collaborating entities.

A variable amount is granted depending on the gross registered tonnage (GRT) or gross tonnage (GT), in accordance with table 2 of Royal Decree 696/1996 of 26 April.

7. Subsidy per unit or total amount of the subsidy

Aid to ship owners
Ptas 641.36 million

Number of vessels
88

8. Duration of the subsidy

From 1 March to 30 April 1999

9. Statistical data permitting an assessment of the trade effect of the subsidy

This subsidy does not in fact have any effect on trade, since the objective of the programme is to provide compensation to shipowners that cannot fish during certain periods.

II. INDUSTRY AND ENERGY**PROMOTION OF THE ECONOMIC AND SOCIAL SECTORS OF THE AGRI-FOOD INDUSTRY****1. Title of the subsidy programme**

Promotion of the economic and social sectors of the agri-food industry.

2. Period covered by the notification

1999

3. Policy objective and/or purpose of the subsidy

To promote the implementation of the technical assistance and management plans for the economic and social sectors of the agri-food industry.

4. Authority

Order of 4 July 1995 establishing subsidies for technical assistance and management plans for the agri-food industries.

5. Form of subsidy

Non-repayable grant

6. Recipients/beneficiaries

Associations of firms in the industrial agri-food sector, associations of agricultural producers, trade unions in the agri-food industry, professional associations, foundations and other organizations whose objectives are connected with the agricultural and food industry.

7. Amount of the subsidy

Total amount for 1999: Ptas 85,143,737

8. Duration of the subsidy

Specific, when the requirements are fulfilled.

9. Statistical data permitting an assessment of the trade effects of the subsidy

No information is available to permit such an assessment, but the effect would appear to be minimal in any case.

MINING (OTHER THAN ENERGY)

1. Title of the subsidy programme

Development of non-energy mining

2. Period covered by the notification

1999

3. Purpose of the subsidy

Development of the non-energy mining subsector, ore prospecting, mining and processing, as well as R&D in these fields and, in some cases, environmental rehabilitation of former mining sites.

4. Authority

Ministerial Order of 8 April 1997 (BOE, 24 April 1997)

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

Enterprises, associations of enterprises or institutions whose object is to promote and develop the use of non-energy mineral raw materials are eligible for the subsidy.

Mining investment subsidies are confined to zones defined by the EU Commission as Objective 1, since the assistance under this programme in this case is for regional development.

This aid is contingent on the applicants meeting their tax and social security obligations, and the recipients must produce documents showing that the subsidized activity has been carried out.

7. Amount of the subsidy

Ptas 794 million

The maximum aid is 20 per cent of subsidizable investment.

8. Duration of the subsidy

The programme lasts for five years, until 31 December 2001.

9. Statistical data on the trade effects of the subsidy

The programme has no trade effects because of the small amount compared with the size of the sector (annual turnover between Ptas 200,000 million and Ptas 300,000 million) and the high number of recipients, since the programme covers 54 enterprises.

ENERGY SAVING AND EFFICIENCY PLAN

1. Title of the subsidy programme

Energy Saving and Efficiency Plan

2. Period covered by the notification

1999

3. Purpose of the subsidy

The Plan's objectives are to promote energy efficiency in industry, transport and public buildings; to develop the use of renewable energy sources, such as wind, solar (thermal and photovoltaic energy), use of the biomass and waste (urban, industrial, forest and agricultural) and small-scale hydraulic power (up to 10 MVA).

This is done in accordance with the objectives of Law 82/80 on energy conservation and of the National Energy Plan, which defines the energy objectives for the decade 1991-2000.

4. Authority

Law 82/80 on energy conservation and Ministerial Order of 6 February 1997 establishing the regulatory bases for subsidies under this programme for the period 1997-1999 and setting the subsidies for 1997.

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

The following are eligible for such subsidies:

- Public or private enterprises;
- groups of such enterprises;
- condominium owners' associations;
- non-profit making institutions;
- local corporations;
- natural persons engaging in activities covered by the Plan;
- neighbourhood associations and groups of such associations which submit integrated programmes for the supply of services to a minimum of 150 housing units.

To receive this subsidy, the beneficiary must show that he has met his current tax and social security obligations and that the subsidized activity has been carried out.

7. Amount of the subsidy

For the 1999 financial year, subsidies under this programme amounted to Ptas 1,540 million.

8. Duration of the subsidy

This programme covers the period 1997-1999.

9. Statistical data on the trade effects of the subsidy

Since the subsidy is for all energy users, this question does not apply.

AID TO SHIPBUILDING**A. SHIPBUILDING SUBSIDIES****A1. Title of the subsidy programme**

Shipbuilding subsidies

A2. Period covered by the notification

1999

A3. Purpose of the subsidy

The fundamental aim of Community and national policy is to ensure that the shipbuilding sector remains competitive on the world market.

Since third countries continue to apply aid and/or measures that distort free competition in the shipbuilding sector, in order to compete on the international market Community shipyards must have access to operational aid (limited by a common ceiling: 9 per cent or 4.5 per cent, depending on whether or not the value of the ship to be built exceeds € 10 million) and restructuring aid (for investments which do not imply an increase in capacity, total or partial closure of facilities and research and development).

A4. Authority

Royal Decree 442/1994 of 11 March (BOE 96 of 22 April 1994) on shipbuilding subsidies and financing, amended by Royal Decrees 1395/1995, 1562/1997, and 2600/1998 of 4 December 1998 (BOE 301 17 of December 1998).

A5. Form of the subsidy

Non-repayable subsidy

A6. To whom and how the subsidy is provided

The subsidy is paid to shipyards building metal-hull vessels of over 100 gross registered tonnes with the exception of fishing vessels since 19 October 1997.

The subsidy is provided once the relevant construction or conversion contract has come into effect. Payments are made as the ship is built or converted, subject to provision being made in the annual budget, which means an average delay in payments of approximately six months to one year.

A7. Amount of the subsidy

Total subsidy granted in 1999: Ptas 17,580 million

A8. Duration of the subsidy

The period of application of the programme is the same as that provided for in Council Regulation (EC) No. 1540/98 of 29 June 1998 (OJEC 18 July 1998)

A9. Statistical data on the trade effects of the subsidy

The subsidies are granted under the Seventh Directive on aid to shipbuilding applicable in all countries of the European Union. Nevertheless, in 1997 shipbuilding in the European Union represented 14.4 per cent of the global total, as opposed to 19.4 per cent in 1996, while at the same time the shares of Japan and Korea rose from 36 per cent and 21.4 per cent respectively in 1996 to 39.1 per cent and 27.5 per cent in 1997. Consequently, these subsidies have not increased the European Union's share of the global market.

B. INTEREST SUBSIDY FOR SHIPBUILDING LOANS

B1. TITLE OF THE SUBSIDY PROGRAMME

Interest subsidy for shipbuilding loans

B2. Period covered by the notification

1999

B3. Purpose of the subsidy

The same objectives as those described in section 3 above.

B4. Authority

Royal Decree 442/1994 of 11 March (BOE 96 of 24 April 1994) on shipbuilding subsidies and financing, amended by Royal Decrees 1395/1995, 1562/1997 and 2600/1998 of 4 December 1998 (BOE 301 of 17 December 1998).

B5. Form of the subsidy

Interest subsidy

B6. To whom and how the subsidy is provided

Domestic shipbuilders or those domiciled in the European Economic Area and, since 19 October 1997, under certain conditions, shipbuilders domiciled outside the European Economic Area are eligible for this subsidy. It consists of payment of up to three percentage points of the interest on shipbuilding loans granted by domestic or foreign financial entities.

The subsidy is paid throughout the term of the loan (8.5 to 14 years) subject to provision being made in the annual budget, which means that there is a three to nine months' delay in payments.

B7. Amount of the subsidy

Total subsidy granted in 1999: Ptas 6,400 million

B8. Duration of the subsidy

The period of application of the programme is the same as that provided for in Council Regulation (EC) No. 1540/98 of 29 June 1998 (OJEC 29 June 1998).

B9. Statistical data on the trade effects of the subsidy

The comments made in A.9 also apply to this section as the subsidy under the interest rate subsidy is deducted from the common maximum ceiling, 9 per cent or 4.5 per cent depending on whether or not the value of the vessel to be built exceeds € 10 million.

SUPPORT INITIATIVE FOR TECHNOLOGY, QUALITY AND INDUSTRIAL SAFETY (ATYCA)

1. Title of the subsidy programme

Support Initiative for Technology, Quality and Industrial Safety (ATYCA)

2. Period covered by the notification

1999

3. Purpose of the subsidy

The basic objective of the ATYCA initiative is to enhance the technological and innovative capacity, as well as the safety and industrial quality, of Spanish enterprises in conformity with the European Union's policy on aid for technological research and development, and the incorporation of quality and safety in industrial processes.

The ATYCA initiative consists of two main lines of action: the Industrial Technology Development Programme (PFTI) and the Quality and Industrial Safety Programme (PCSI).

4. Authority

Aid under the ATYCA initiative is granted under the Order of the Ministry of Industry and Energy of 4 March 1999 calling for aid and establishing the regulatory bases for the granting of aid under the ATYCA initiative of the Energy R&D Technological Programme, *inter alia* (BOE of 24 March 1999).

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

Public or private enterprises and bodies, groups of such enterprises and non-profit-making institutions are eligible.

The annual amount of ATYCA aid is available to potential beneficiaries which apply for subsidies in order to carry out projects in various technological areas. The aid is granted subject to the study and assessment of the applications by a committee. The amount of the subsidy in relation to the costs of projects may not exceed the limits of State aid authorized under European Union directives.

The aid is contingent on compliance by applicants with their tax and social security obligations and proof that the activity has actually been carried out.

7. Annual amount of the subsidy

In 1999, subsidies paid under the ATYCA initiative amounted to Ptas 22,753 million. The number of eligible programmes was 2,619.

8. Duration of the subsidy

The ATYCA initiative remained in force from 1997 to 1999, with the subsidies granted annually.

9. Statistical data on the trade effects of the subsidy

Because of the nature of this programme, which mainly concerns the development of technology and industrial quality and is open to enterprises in all industrial sectors, including building, the trade effects are minimal since the aid is distributed over virtually the whole of industry.

Additional note

The majority of the subsidies granted under the ATYCA initiative are used to support R&D projects under the Industrial Technology Development Programme; consequently, the subsidies under this programme are non-actionable subsidies under Article 8.2 of the SCM Agreement, notified pursuant to Article 25 as granted in 1997.

AID UNDER TECHNOLOGICAL PROGRAMMES CONNECTED WITH THE SEAT MODERNIZATION PLAN

1. Title of the subsidy programme

Aid under technological programmes connected with the SEAT Modernization Plan (1994-1997). This programme has been completed.

2. Period covered by the notification

1999.

3. Purpose of the subsidy

The aid is intended for innovation, technological development and training projects in the SEAT company, a subsidiary of the Volkswagen Group, under a plan that will mean a 29 per cent reduction in SEAT's capacity and a 5 per cent capacity reduction of the VW Group, at the Community level.

4. Authority

Commission Decision 96/257/EC of 31 November 1995 concerning the aid granted by Spain to SEAT S.A., a member of the VW Group.

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

The subsidy is payable exclusively to the SEAT company, which must produce evidence to the Spanish authorities that the innovation, technological development and training projects have been implemented.

7. Amount of the subsidy

Since the programme has been completed, no subsidies were granted.

8. Duration of the subsidy

The Modernization Plan covers the period 1994-1997 and subsidies may be granted in the years 1995-1998.

9. Statistical data on the trade effects of the subsidy

The subsidy has no adverse affects on trade for SEAT's competitors since it fulfils the requirements under the Agreement on Subsidies and Countervailing Measures for aid for this purpose (R&D, Article 8.2(a)); furthermore, the Modernization Plan for which the aid is intended involves a reduction of 29 per cent in production capacity and of 49 per cent in employment by the end of the Plan, so that by the end of 1997 SEAT's technical capacity will not exceed 2,125 units per day, compared with 3,000 units per day at the end of 1993.

R&D PLAN FOR THE AERONAUTICAL SECTOR II

1. Title of the subsidy programme

R&D plan for the aeronautical sector

2. Period covered by the notification

1999

3. Purpose of the subsidy

Basic research and development projects in the aeronautical sector

4. Authority

Decision of the Government Commission for Economic Affairs and Cooperation Agreements with Enterprises. Ministerial Order of 29 July 1999 (BOE 12 August 1999).

5. Form of the subsidy

Repayable advances

6. To whom and how the subsidy is provided

Aircraft companies which have signed a Cooperation Agreement. The repayable advances are paid out annually.

7. Amount of the subsidy

Ptas 5,761 million

8. Duration of the subsidy

This second R&D plan will last five years, from 1 January 1999 to 31 December 2003.

9. Statistical data on the trade effects of the subsidy

Since the Programme covers basic industrial research, which is far removed from the marketing stage, it has no trade effects.

Additional note

The Plan is for basic research projects and is therefore regarded as a programme of "non-actionable" aid within the meaning of Article 8.2(a) of the SCM Agreement. It is notified under Article 25, having been in force in 1996.

III. SMALL AND MEDIUM ENTERPRISES (SMEs)

SME INDUSTRIAL DEVELOPMENT INITIATIVE

1. Title of the subsidy programme

SME Industrial Development Initiative: aid and promotion

2. Period covered by the notification

1999

3. Purpose of the subsidy

The SME Industrial Development Initiative incorporates a number of activities for small and medium enterprises (SMEs) and includes the following subprogrammes:

3.1 Business cooperation

Purpose: The official aid is intended to finance some of the cost for national partners of concluding cooperation agreements and the cost of cooperation awareness and promotion plans.

The activities must not lead to restrictive business practices, must offer guarantees of permanence and stability and must be directed at promoting and supporting inter-business cooperation.

3.2 Promotion of information services

Purpose: The aid is granted to facilitate cooperation among information centres which, using telematics, promote and reinforce the supply of sophisticated business information services.

3.3 Industrial design

Purpose: The implementation of design projects by companies to be used to incorporate, include or apply innovative and/or design technology in SMEs so as to provide information on the product, marketing, corporate identity, and to disseminate, promote and make businesses and consumers aware of the importance of design and innovation as tools for improving the competitiveness of businesses.

3.4 Financing

Purpose: To facilitate access by small and medium enterprises to various sources of financing, to assist investment, lower the cost, and improve the economic and financial structure of such enterprises.

3.5 Networks of intermediate organizations supporting innovation

Purpose: Assistance to businesses for action plans or project start-up, principally those intended to install mechanisms used for innovation management, utilize technological resources or improve internal technology learning processes within the business.

Spreading ideas, experience, practical improvements, results and techniques involving innovation management, including joint training activities to reinforce the human resources of SMEs and/or intermediate organizations.

Study and introduce commercial and technological monitoring systems in appropriate sectors, to improve the formulation of technological and trade plans and strategies by the SMEs.

Support for studies on the incorporation of innovation in the strategies of intermediate organizations and their integration into supranational organizations.

4. Authority

Royal Decree 937/1997 of 20 June 1997 (BOE, 11 July 1997)

5. Form of the subsidy

Non-repayable subsidy

6. To whom and how the subsidy is provided

Small and medium enterprises and intermediate organizations are eligible for this aid.

For the purposes of this Royal Decree, a small or medium industrial enterprise (SME) is deemed to be an economic unit with natural or legal personality which, at the time of the application, meets the following requirements:

- (a) Employs not more than 250 workers;
- (b) either: an annual turnover of not more than € 40 million, or an overall balance of not more than € 27 million;
- (c) 25 per cent or more of their shares are not held by companies that do not meet the aforesaid requirements, unless they are State investment enterprises, risk capital enterprises or institutional investors, provided they do not exercise control.

For the purposes of this Royal Decree, an intermediate organization is deemed to be:

Any public, semi-public or private organization which, regardless of the way it is established or whether it has legal personality, on a non-profit making and habitual basis, provides support services for small and medium enterprises by carrying out joint assistance programmes or supplying services to promote and help improve the management of SMEs.

Organizations in which the majority of the capital is State owned and which, for profit-making purposes, pursue the objectives set out in the previous paragraph.

Financial bodies, excluding credit bodies, engaged in activities covered by the financial support programmes in the Royal Decree, as well as bodies whose purpose is to grant loans to SMEs and/or contribute towards the risk capital/capital investment, either from their own resources or from resources managed by them.

Before receiving this subsidy, beneficiaries must show that they have complied with their tax and social security obligations.

They must also show that the subsidized activity has actually been carried out.

7. Amount of the subsidy

Ptas 18,481.7 million, committed in their totality and allocated according to the territorial scope laid down in Article 153 of the General Budget Law, as implemented by Law 13/1996 of 30 December on administrative tax and social order measures.

Breakdown of commitments by subprogramme:

Business cooperation	11.33%
Business information	20.03%
Design	26.97%
Innovation networks	29.47%
Financing	12.73%

8. Duration of the subsidy

The Programme is for three years until 31 December 1999.

9. Statistical data permitting an assessment of the trade effects of the subsidy

Given the nature of this aid programme, there is no effect on trade.

ARTE/SME PROGRAMME

1. Title of the subsidy programme

ARTE/SME Programme under the operational programme of the Community SME initiative.

2. Period covered by the notification

1999

3. Purpose of the subsidy

Aid for the financing of advanced telecommunication services projects of common interest to small and medium enterprises.

4. Authority

Ministerial Order of 31 July 1995 (BOE, 21 August 1995).

5. Form of the subsidy

Non-repayable subsidy

6. To whom the subsidy is provided

Only legally established non-profit-making public or private entities are eligible for the subsidy.

Zones classified as Objective 1 under the European Regional Development Fund (ERDF) are priority zones for action.

Action may also be undertaken in Objective 2 and 5-b zones, although to a much lesser degree. Some residual allocations go to non-ERDF zones.

The aid is contingent on the applicants meeting their tax and social security obligations and the recipients must produce documents showing that the subsidized activity has been carried out and the relevant costs have been paid.

7. Amount of the subsidy

Subsidies approved in 1999: Ptas 1,380 million. Around 70 per cent of this amount was used to acquire computer equipment (hardware and software), to develop customized software and to purchase telecommunications terminals (modems, PCs) for use by SMEs. The remainder was used for communications costs and costs related to feasibility studies, promoting the use of advanced telecommunications services and providing technical assistance.

8. Duration of the subsidy

The ARTE/SME programme is for five years, remaining in effect until June 1999 for the submission of new projects. Subsidized projects may be terminated after this date.

9. Statistical data permitting an assessment of the trade effects of the subsidy

The aid regime has no trade effects due to its small scale in comparison with the scale of trade and the large number of SMEs that have indirectly benefited from this aid, estimated at 13,713 in various economic sectors as the programme is multisectoral.

IV. REGIONAL SUBSIDIES

REGIONAL ECONOMIC INCENTIVES SCHEME

1. Title of the subsidy programme

Regional Economic Incentives Scheme

2. Period covered by the notification

1999

3. Policy objective and/or purpose of the programme

The purpose is to promote the economic development of the most disadvantaged areas. The objective of regional incentives is to foster entrepreneurship and encourage firms to locate in previously

determined areas, so as to reduce economic disparities on Spanish territory, secure a more equitable spread of economic activities and strengthen the regions' potential for internally generated development.

4. Authority

The mandate under the Spanish Constitution, which sets out in Article 40.1 an obligation on the authorities to foster favourable conditions for a more equitable distribution of regional income. Similarly, Article 138 lays down that the State shall establish a suitable and fair economic balance among the various parts of Spanish territory.

The legislative basis is:

- Law 50/85 of 27 December, on regional economic incentives to remedy inter-regional economic imbalances.
- Regulation adopted by Royal Decree 1535/1987 of 11 December and amended by Royal Decree 897/1991 of 14 July, Royal Decree 302/1993 of 26 February, Royal Decree 2315/1993 of 29 December and Royal Decree 78/1997 of 24 January. It was approved by the EU Commission's Decision of 1 June 1987.
- 13 Royal Decrees delimiting the Economic Promotion Areas, some amended.

5. Form of the subsidy

Non-repayable subsidies, granted for productive investments and calculated on the investment approved by the Administration.

6. To whom the subsidy is provided

Once it is approved, the subsidy is notified individually to the persons concerned in an Individual Resolution establishing the basic data for the project, including the name of the recipient enterprise that has applied for it.

The aid is paid once the relevant Autonomous Community has issued a report substantiating full execution of the project and on fulfilment, within the specified periods, of the conditions required in the relevant Individual Resolution, accepted by the beneficiary beforehand. Enterprises may apply to receive the subsidy in instalments provided they produce evidence that the part of the investment for each instalment has been made together with adequate guarantees against failure to complete.

7. Amount of the subsidy

General State Budget for 1999: Ptas 53,654 million.

8. Duration of the subsidy

The scheme will continue as long as the reason for introducing it, namely the imbalance in regional development, persists.

9. Statistical data permitting an assessment of the trade effects of the subsidy

As to the statistical data permitting an assessment of the programme's trade effects, it should be noted that, since the subsidies take the form of capital for productive investment in disadvantaged regions, the principle of free competition is not deemed to be jeopardized.
