

WORLD TRADE ORGANIZATION

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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

Updating Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the SCM Agreement

CZECH REPUBLIC

The following communication, dated 3 December 1999, has been received from the Permanent Mission of the Czech Republic.

The Czech Republic hereby submits the following communication in regard to the Updating Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures.

The notification of any of the programmes or measures does not prejudice whether or not such programme or measure is specific, whether or not it has any trade effect and even whether or not it falls under the Agreement on Subsidies and Countervailing Measures.

TABLE OF CONTENTS

	<u>Page</u>
I. ENVIRONMENT.....	2
II. RESEARCH AND DEVELOPMENT	3
III. STATE GUARANTEES.....	4
IV. SMALL AND MEDIUM-SIZED ENTERPRISES	5
V. MINING INDUSTRY	6
VI. EXPORT PROMOTION	7
VII. TRANSPORT.....	8
VIII. AGRICULTURE.....	10

I. ENVIRONMENT

1. Title of the subsidy

Environmental aid.

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

Support for environmental protection and improvement.

4. Background and authority for the subsidy

1996 - Ministry of Environment

5. Legislation under which it is granted

Act No. 388/1991 Coll. on State Environmental Fund

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

Grant

Loan (it means the uncollected interest amounting to 10 per cent of granted loans).

7. To whom and how the subsidy is provided

Available to all companies involved in the State Environmental Fund schemes on air protection, air improvement, protection of waters, disposal of waste etc. The decision by the Fund to provide the subsidy is based on established criteria and assessment of applications with regard to the environmental and economic 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 the subsidy was Kč 255 million, of which Kč 228 million in the form of grants, and Kč 27 million in the form of low interest loans (it means the uncollected interest amounting to 10 per cent of granted loans).

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

Maximum 7 years (loans).

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

Information on the trade effect of the subsidy is not available.

II. RESEARCH AND DEVELOPMENT

1. Title of the subsidy

Support for research and development.

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

Promote research and development, in particular in areas of technology and engineering projects.

4. Background and authority for the subsidy

Grant Agency which 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. 300/1992 Coll. on State Support for Research and Development, as amended, and Act No. 576/1990 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 10 per cent of granted loans in 1996).

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. Conditions of application are decided by the Government, one of the conditions being delivery of data to the central registration of projects. There is no legal title to these financial funds. The subsidies are 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 Kč 650 million, of which Kč 631 million in the form of grants, and Kč 19 million in the form of low interest loans (it means the uncollected interest amounting to 10 per cent of granted loans).

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

Information on the trade effect of the subsidy is not available.

III. STATE GUARANTEES

1. Title of the subsidy

State guarantees - state aid arising from the executed guarantees

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

Support to development programmes approved by the Government directed to the infrastructure and restructuring of some areas of industrial production. Performance of terms of contract against creditors in the cases when enterprises are not able to pay their commercial loans to realising of development programmes directed to some areas of industrial production.

4. Background and authority for the subsidy

Ministry of Finance.

5. Legislation under which it is granted

Act No. 576 /1990 Coll. on Budgetary Regulations.

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

Guarantee (height of state aid amounts to the difference between the fees for providing guarantees and executed guarantees)

7. To whom and how the subsidy is provided

The guarantee is paid to the creditor (bank) under the conditions stated into a contract between the guarantor (state) and the creditor.

Under the Act on Budgetary Regulations No. 576/1990 the debtor is obliged to recover all financial means, which were paid instead of him by the state.

The fees for the guarantee provisions amount to 0.5 per cent of the guarantee as per the Act No. 368/92, concerning the administrative fees.

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

The total stock of guarantees was Kč 66 million (the difference between the fees for providing guarantees and provided guarantees)

Balance in Kč million	
fees	losses

24	99

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
Information on the trade effect of the subsidy is not available.

IV. SMALL AND MEDIUM-SIZED ENTERPRISES

1. Title of the subsidy
Promotion of Small and Medium-Sized Enterprises.
2. Period covered by the notification
1996
3. Policy objective and/or purpose of the subsidy
Assistance to SME, promotion of private business, and to provide regional assistance to areas with higher rates of unemployment.
4. Background and authority for the subsidy
Ministry of Industry and Trade.
5. Legislation under which it is granted
Act No. 299/1992 Coll. on the Promotion of Small and Medium-Sized Enterprises.
6. Form of the subsidy (i.e. grant, loan, tax concessions, etc.)
Grant
Guarantee (soft price guarantee, which represents the difference between the entrepreneur's fee for the guarantee granting and the usual commercial rate applied to bank guarantees).
7. To whom and how the subsidy is provided
SMEs (a maximum of 500) which have their seat and carry out the project concerned in the Czech Republic. The subsidy is provided by the Czechomoravian Guarantee and Development Bank (Ěeskomoravská 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 Kč 1 294 million, of which Kč 894 million in the form of grants, and Kč 400 million in the form of soft price guarantees.

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

For settlement of interest maximum 4 years for individual projects, duration of the whole scheme is not limited.

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

Information on the trade effect of the subsidy is not available.

IV. MINING INDUSTRY

1. Title of the subsidy

Support for mining industry.

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

This subsidy has been established to cover the costs stemming from structural adjustment in coal, uranium 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 on 1996 Budget

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, uranium and ore mining activities and covered by the government resolution and technical plan of liquidation of mining plants, compensation of dismissed employees, compensation of ecological damage and recultivation of environment.

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

The total payments were Kč 5,803 million, of which coal Kč 3,791 million:

- compensation of dismissed employees Kč 1,803, of which coal Kč 1,403 million,
- liquidation of mining plants Kč 2,357 million, of which coal Kč 1,287 million,
- recultivation of environment Kč 1,413 million, of which coal Kč 871 million,
- compensation of ecological damage Kč 230 million, of which coal Kč 230 million.

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

Not limited, based on the government plan of reduction of mining activities.

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

Information on the trade effect of the subsidy is not available.

V. EXPORT PROMOTION

1. Title of the subsidy

Export promotion.

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

To promote the Czech exports of goods and services primary by covering the exporters commercial and political risks and providing concessional financing.

4. Background and authority for the subsidy

Ministry of Industry and Trade

5. Legislation under which it is granted

Act No. 58/1995 Coll. on Insurance and Financing with State Support, Act No. 576 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

The conditions are in accordance with the OECD "Arrangement on Guidelines for Officially Supported Export Credits" and "Bern Union Understandings".

Export credit insurance is provided by the Export Guarantee and Insurance Company (EGAP) established as a state company. All Czech-based enterprises are eligible. Concessional financing, the provision of which is conditioned on export credit risk insurance provided by EGAP, is carried out by the Czech Export Bank (ĚEB) by providing credits on terms more favourable than market conditions. Export credits meet conditions set out in the OECD Arrangement.

More detailed description:

1. The subsidy is provided to EGAP, a. s. (Export Guarantee and Insurance Company), founded as a state company under the Decision of the Government in 1992. This subsidy enables EGAP, a. s. to insure the export credit risks.
2. The government pays from the state budget to the Czech Export Bank (ČEB) the interest difference arising from the interest rate, which ČEB pays when acquiring financial sources at the world money markets and from the interest rate for which it grants a government-subsidised credit to foreign customers under the conditions as per Convention (i.e. at the rate which equals at least CIRR).
8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budgeted for that subsidy

1996

Total amount: Kč 609 mil.
 thereof: 800 mil. - grant to the insurance fund (EGAP)
 -279 mil. - the difference between the realised
 insurance performance and the
 collected insurance premiums
 (EGAP)♦
 88 mil. - interest rate compensation (ČEB)

♦Balance (in mil. Kč) - EGAP

premium	losses
296	17

9. Duration of a subsidy and/or any other time limits attached to it
 The duration of the scheme has not been specified.
10. Statistical data permitting an assessment of the trade effects of a subsidy
 Statistical data showing the trade effects of the subsidy are not available.

VI. TRANSPORT

1. Title of the subsidy
 Support for Transport Organizations.
2. Period covered by the notification
 1996

3. Policy objective and/or purpose of the subsidy

Support for the state railway to cover operating losses and for investment, subsidy for the air and water transport for investment and subsidy for air transport to cover interest costs related to the renovation of the air fleet.

4. Background and authority for the subsidy

Ministry of Transport.

5. Legislation under which it is granted

Act on 1996 State Budget

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

Grant

Loan (it means the uncollected interest amounting to 10 percentage of granted loan).

7. To whom and how the subsidy is provided

The subsidy is provided to the state railway, air and water transport companies.

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 Kč 9,310 million, of which

grant: Kč 9,284 million, of which:

Kč 8,733 million - state railways

Kč 546 million - air transport

Kč 5 million - water transport

loan: Kč 26 million - air transport (Security and technology
renovation of the Air Traffic Control System)

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

According to the duration of individual case.

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

Information on the trade effect of the subsidy is not available.

VII. AGRICULTURE1. Title of the subsidy

Support for Agriculture.

2. Period covered by the notification

1996

3. Policy objective and/or purpose of the subsidy

Support for development of private farming, restructuring of production, preservation of non-production agricultural activities (preservation of genetic potential), support for forest farming and improvements in drinking-water supply.

4. Background and authority for the subsidy

Ministry of Agriculture.

5. Legislation under which it is granted

Act No. 576 /1990 Coll. on Budgetary Regulations, Decision by the Government Establishing the Farming and Forestry Support and Guarantee Fund (PGRLF), Principles of State Support in the agriculture for the year 1996.

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

Grant

7. To whom and how the subsidy is provided

The support in the form of direct subsidies and indirect subsidies through PGRLF is available to all agricultural enterprises that meet the condition of 50 percentage share of the revenues coming from agricultural or forestry production.

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 Kč 7,878 million, of which

Kč	27 million - transformation of land to forest
Kč	92 million -reconstruction of vineyards and hop plantations
Kč	1,452 million -countryside preservation
Kč	64 million - bee-keeping
Kč	355 million - cattle
Kč	295 million - genetic potential (animals)
Kč	100 million - genetic potential (plants)
Kč	124 million - improvement of animals health
Kč	20 million - improvement of plants health
Kč	595 million - forestry
Kč	39 million - breeding of special kind of horses

Kč 32 million - liquidation of flood damages
Kč 4,683 million - grants provided by PGRLF

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

Information on the trade effect of the subsidy is not available.
