

# 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

#### POLAND

The following communication, dated 12 December 2000, has been received from the Permanent Mission of Poland.

The following notification covers the specific subsidies applied in Poland in 1999 in the industrial and agricultural sectors.

All data concerning the amounts of subsidies contained herein are given in the New Polish Zlotys (PLN)<sup>1</sup>

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<sup>1</sup> In 1999, the average exchange rate between Polish Zloty and US dollar was: 1 PLN = US\$0.268.

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## A. SUBSIDIES APPLIED IN 1999 IN THE INDUSTRIAL SECTOR

### 1. Loans from EFSAL Funds

#### Amount of assistance granted

In 1999 the total assistance provided amounted to PLN 36.4 million, including: grants – PLN 17.2 million, and loans – PLN 19.2 million.

As per the end of 1999 approximately 92 per cent of the EFSAL funds were consumed and it is expected to be used fully until the end of 2000.

#### Beneficiaries

in thousands PLN

No	Branch of economy	Total assistance granted in 1998	Grants	Loans	Global assistance structure
1.	Food industry	3 152.9	1 152.9	2 000.0	8.7%
2.	Chemical industry	1 524.1	1 524.1	-	4.2%
3.	Light industry	7 299.2	6 369.2	930.0	20.0%
4.	Metallurgy	16 900.9	3 900.9	13 000.0	46.4%
5.	Electromechanical industry	4 467.2	3 217.2	250.0	12.3%
6.	Extractive industry	85.6	85.6	-	0.2%
7.	Health Care	975.3	975.3	-	2.7%
8.	Culture	2 000.0	-	2 000.0	5.5%
	Total	36 405.1	17 225.1	19 180.0	100%

### 2. Investment Tax Reductions

#### Amount of assistance granted

- (i) Tax relief resulting from previous year income's deductions of the investment expenditures on the basis of the provisions of the Council's of Ministers Regulation of 24 January 1995 concerning deductions of the investments expenditures from the income and reduction of the income tax rates in the municipalities especially endangered with high structural unemployment amounted in 1999 to PLN 5.2 million.
- (ii) The tax relief resulting from the provisions of the Law of 15 February 1992 concerning the Corporate Income Tax amounted in 1999 to PLN 1330.7 million, including PLN 341.2 million connected with export activity (see point B2)

#### Beneficiaries

- (i) Relief mentioned in point (i) above was used by 85 entities; average subsidy per tax-payer amounted to PLN 61.8 thousand.

- (ii) Relief mentioned in point (ii) above was used by 3251 entities (including 257 exporters); average subsidy per tax-payer amounted to PLN 409.3 thousand (PLN 1 327.6 thousand per exporter).

### **3. Direct Grants for Extra Charges to Products and Services**

#### **Amount of assistance granted**

In 1999 the grants amounted to PLN 715.0 million.

#### **Beneficiaries**

Pursuant to the state budget for 1999, similar to the previous years, the grants were designated for:

	<u>in millions of PLN</u>
Meals sold in milk bars	18.3
Passenger domestic railway transport	537.7
Passenger inter-city bus transport	148.2
Publication of specialized school and university books	10.8

### **4. Assistance for Restructuring of the Banking Sector**

In 1999 no state aid was granted for restructuring the banking sector either within the framework of previously notified programmes or the new ones.

### **5. Reduction of Liabilities Resulting from Social Insurance Premiums**

In 1999 no state aid was granted for restructuring of the debts of state own enterprises and companies with the Treasury capital share resulting from contributions for the social insurance.

### **6. Guarantees and Warrants of the Treasury**

#### **Amount of assistance granted**

In 1999, 5 enterprises obtained guarantees to repay the international loans in total value of PLN 1 579.7 million. No guarantees were granted in 1999 as to the repayment of the domestic loans.

The expenditures incurred by the Treasury in 1999 resulting from the extended guarantees for defaulted domestic loans amounted to PLN 296.7 million, including repayment of the principals totaling PLN 274.9 million and interests PLN 21.8 million.

The expenditures resulted from the defaulted international loans guaranteed and repaid by the Treasury in 1999 amounted to PLN 0.6 million, including PLN 0.5 million for repayment of the principal and PLN 0.1 million for interests.

## Beneficiaries

The guarantees and warrants extended by the Treasury in 1999 covered the banking loans for financing the following undertakings (within the total amount of the guarantees and warranties extended by the Treasury):

- |                                                                                                           |               |
|-----------------------------------------------------------------------------------------------------------|---------------|
| • Investment in infrastructure of transport sector                                                        | 37.5 per cent |
| • Investment in modernization of the energy sector                                                        | 40.9 per cent |
| • Investments in infrastructure realized by local governments and Municipal entities (for banking sector) | 8.0 per cent  |
| • Investments in infrastructure realized by local government                                              | 8.4 per cent  |
| • Investments in infrastructure realized by small and medium enterprises (for governmental agency)        | 5.2 per cent  |

## 7. Credit Warrants from Funds of “Bank Gospodarstwa Krajowego”

### Amount of assistance granted

In 1999 Bank Gospodarstwa Krajowego (BGK) extended 223 loan guarantees totaling PLN 62.3 million.

### Beneficiaries

Currently any domestic business may apply to BGK for loan guarantee, irrespective of volume of its income and employment level. Any investment loan or loan for purchase of production materials or raw materials may be covered by the guarantee. The guarantees are provided up to 60 per cent of the used portion of the extended loan and up to 60 per cent of the corresponding interests, or up to 70 per cent of the principal excluding the interests.

The maximum guaranteed amount must not exceed Euro 1.5 million. The guarantee is extended after the debtor has provided the guarantor with collateral in the form of a blank bill of exchange or in other form if so required by the BGK. Businesses pay a fee for extending the guaranty, however BGK may charge not more than 2 per cent of the guarantee value. Guarantees may be obtained directly from BGK or through one of 44 banks which have concluded cooperation agreements with BGK (altogether 2080 local branches).

BGK may extend guarantees for banks loan portfolio of which the loans would be provided for local small and medium enterprises employing up to 250 persons and whose annual income does not exceed Euro 20 million, and balance sheet total does not exceed Euro 10 million. The amount of a single guarantee within the portfolio must not exceed Euro 50 thousand, and must not exceed 50 per cent of the loan.

Additionally there are still in force preferential terms for guarantees concerning loans for financing repairs and reconstruction of buildings and production assets and purchase of production and raw materials in connection with liquidation of the effects of 1997 floods. Maximum amount of these guarantees is up to 80 per cent of the used portion of the extended loan and up to 80 per cent of the corresponding interests. However, the deadline for submitting applications concerning these guarantees expired on 31 December 1998.

## **8. Support of Regional Programmes**

### **Amount of assistance granted**

- (i) In 1999 PLN 62.7 million was expended for financing of regional programmes.
- (ii) In 1999 grants for financing of investments in infrastructure implemented within the system of public works as own responsibilities of the municipalities endangered with high level of structural unemployment amounted to PLN 50.3 million.

### **Beneficiaries**

- (i) In 1999 of PLN 62.7 million expended for financing of investments determined in regional restructuring programmes 86.4 per cent was expended for financing own investments of municipalities (third level administrative units), 9.2 per cent for financing own investments of the second level administrative units (powiat), 5.2 per cent for financing investments of economic entities, 0.2 per cent for financing own investments of the voivodships (first level administrative units).
- (ii) PLN 50.3 million of grants from the state budget for financing of investments in infrastructure implemented within the system of public works as own responsibilities of the municipalities especially endangered with high level of structural unemployment was provided exclusively for financing of own investments of municipalities in 10 voivodships.

## **9. Restructuring Programme for Steel and Iron Industry**

### **Amount of assistance granted**

In 1999 almost 7.3 thousand workers were covered by social protection payments from the state budget within the framework of employment restructuring in the steel and iron sector. Total amount of grants of PLN 38.9 million consisted of:

- PLN 21.8 million granted to almost 6.2 thousand workers in connection with accelerated retirement,
- PLN 17.1 million granted to almost 1.1 thousand workers as remuneration for dismissed employees.

### **Beneficiaries**

In 1999 no subsidies other than social payments were granted to the steel and iron sector. Social support was granted only to the individual workers as described above.

## **10. Restructuring Programme for Mining Sector**

### **Legal basis – amendment**

- The 1999 State Budget (Journal of Laws No 17, item 154),
- Law of 26 November 1998 on adjustment of hard coal mining to the market economy and special rights of municipalities with a mining industry (Journal of Laws No 162, item 1112)

- Regulation of the Minister of Economy of 30 April 1999 concerning detailed rules and procedures of awarding and use of grants aimed at employment restructuring ... (Journal of Laws No 52, item 538 and No 111, item 1298)
- Regulation of the Minister of Economy of 30 April 1999 concerning detailed rules and procedures of awarding and use of grants aimed at financing physical liquidation of the coal mines and alleviation of mining damages ... (Journal of Laws No 47, item 465)

## **II. HARD COAL MINING**

### **Amount of assistance granted**

(a) Direct assistance in 1999 – PLN 1 312.7 million including :

- |                                            |                   |
|--------------------------------------------|-------------------|
| - Grants for liquidation of the coal mines | PLN 338 million   |
| - Grants for employment restructuring      | PLN 953.7 million |
| - Mining damages alleviation               | PLN 30 million    |

(b) Grants from the state budget for financing central government investments in 1999:

- total amount for hard coal mining	PLN 30.06 million
-------------------------------------	-------------------

### **Beneficiaries**

The following entities of the hard coal mining sector obtained the assistance:

Type of grant	Number of Entities	Average grant per grantee (in millions PLN)
Liquidation of mines	26	13
Grants for employment Restructuring	84	11.4
Mining damages alleviation	31	0.97

## **III. MINING OF SULPHUR, SALT, ZINC AND LEAD ORES, AND OTHER NON-ENERGETIC MINERALS**

### **Amount of assistance granted**

Direct assistance in 1999 – PLN 150 million including :

- |                                                     |                  |
|-----------------------------------------------------|------------------|
| - liquidation of mines                              | PLN 141.1million |
| - necessary expenditures after liquidation of mines | PLN 5.4 million  |
| - social payments                                   | PLN 3.5 million  |

### **Beneficiaries**

In the sector of mining of salt, sulfur, zinc and lead ores, and other non-energetic minerals in 1999 the grants were awarded to 8 entities. Average grant per entity was PLN 18.8 million

## **11. Tax Incentives**

### **Amount of assistance granted**

Value of the abolished current taxes obligation – PLN 165 millions including :  
from legal persons - PLN 138.3 million  
from natural persons - PLN 26.9 million.

Value of the abolished overdue taxes - total amount PLN 142.4 million including :  
lifted taxes - PLN 34.6 million  
corporate income tax - PLN 112.5 million  
personal income tax - PLN 29.9 million

Total amount of deferred tax payments and tax payments in installments - PLN 812.4 million including :  
lifted taxes - PLN 23.2million,  
corporate income tax - PLN 78.9 million,  
personal income tax - PLN 35.6 million,  
indirect taxes – PLN 674.7 million.

### **Beneficiaries**

Natural and legal persons; any taxpayer may apply for tax relief.

## **12. Support for Special Economic Zones**

### **Amount of assistance granted**

In 1999 the tax exemptions were granted in 10 of the Zones. The total assistance amounted to PLN 88.2 million including :

- PLN 3.9 million in Special Economic Zone of Walbrzych,
- PLN 341 thousand million in Special Economic Zone of Slupsk
- PLN 8.3 million in Special Economic Zone of Tarnobrzeg
- PLN 190 thousand in Special Economic Zone of Warmia
- PLN 1 million in Special Economic Zone of Lodz,
- PLN 12.9 million in Special Economic Zone of Suwalki,
- PLN 31.6 million in Special Economic Zone of Mielec,
- PLN 25.5 million in Special Economic Zone of Katowice,
- PLN 3.8 million in Special Economic Zone of Starachowice,
- PLN 312 thousand in Special Economic Zone of Legnica.

### **Beneficiaries**

In 1999 the assistance was granted to 71 entities. The number of entities which became eligible for the scheme (i.e. registered their economic activity in the zones) till the end of 1999 amounted to 246 for all zones altogether.



**B. SUBSIDIES SUPPORTING EXPORTS**

**1. Insurance System Supporting Export Contracts, Guaranteed by the Treasury**

**Amount of assistance granted**

In 1999 the Export Credits Insurance Corporation did not use any forms of the state assistance, i.e. neither loans from the state budget resources nor banking loans guarantees to secure the credits contracted by the Corporation. Own resources of the Corporation were sufficient for the insurance.

40.2 per cent (i.e. PLN 1 368 million) of the PLN 3 400 million's limit determined in the 1999 budget for insurance of export contracts was consumed.

**Beneficiaries**

The Export Credits Insurance Corporation is the direct beneficiary of the assistance while businesses using this form of assistance are indirect beneficiaries.

**2. Investment Related Tax Rebate Connected with Results of Export Activities**

**Amount of assistance granted**

Investment tax relieves for exporters (i.e. entities with incomes from export sales constituting more than 50 per cent of global incomes or with incomes from export sales exceeding Euro 8 million) amounted in 1999 to PLN 341.2 million.

**Beneficiaries**

Investment tax relieves were granted in 1999 to 257 exporters. Average amount of the subsidy was PLN 1.3 million.

**C. SPECIFIC SUBSIDIES APPLIED IN THE AGRICULTURAL SECTOR**

**1. Grants for Supporting Production of Calcium Fertilizers**

**Legal basis – amendment**

- Law of 26 November 1998 on public finances (Journal of Laws No 155 item 1014 and of 1999 No 38 item 360, No 49 item 437, No 70 item 778, No 110 item 1255).
- The 1999 Budget Law (Journal of Laws No 17 item 154)
- Regulation of the Minister of Agriculture of 19 March 1999 on the amount of subject grants for entities in agriculture sector and detailed rules and procedures of awarding and accounting of these grants (Journal of Laws No 33 item 318 and No 100 item 1176).

**Amount of assistance granted**

In 1999 the grants from the state budget amounted to PLN 64.2 million

**Beneficiaries**

Subsidy was granted to all calcium fertilizers' producers.

## **2. Financial Support for Sugar Export**

### **Amount of assistance granted**

In 1999 the Agency for Agriculture Restructuring and Modernization supported the export of sugar with the amount of PLN 59.2 million for the exported volume of 108 902 tons.

### **Beneficiaries**

68 sugar producers received subsidies for the exported sugar in 1999.

## **3. Subsidizing of Interests on Banking Loans for Agricultural Purposes**

### **Amount of assistance granted**

Amount of PLN 362.6 million

### **Beneficiaries**

Agricultural farms

## **4. Working Capital Loans**

### **Amount of assistance granted**

In 1999 the Agency for Agriculture Restructuring and Modernization assigned funds for :

- loans for purchase of production assets for agricultural production – PLN 194.1 million,
- loans for purchase of agricultural products and storage or purchase of periodical surplus of agricultural products – PLN 186. 1 million.

### **Beneficiaries**

- Domestic economic entities involved in the agricultural production may apply for loans for purchase of production assets for agricultural production.
- Domestic economic entities involved in food processing or food storage may apply for loans for purchase and storage of agricultural products.
- Domestic economic entities producing or storing periodical surplus of powdered milk, butter, hard cheeses, pork half-carcasses, and bee-honey may apply for loans for purchase and storage of these products.

## **5. Investment Loans**

### **Characteristics of the programme - supplement.**

In 1999 Agency for Agriculture Restructuring and Modernization used to subsidize interests on following investments credits granted in years 1994 -1998 :

- basic investment loans for implementation of agricultural undertakings, food processing, special agricultural production sectors and agricultural services,
- loans for purchase of agricultural land,
- loans for establishing farms by persons not older than 40 years,

- loans for business sectors and regions within the scope of programmes approved by the Minister of Agriculture and Food Economy,
- loans for implementation of undertakings in agriculture and special agricultural production sectors aimed at utilization of the existing production base of the farms and special agricultural production sectors through starting up or increasing the production,
- loans for implementation of undertakings in agriculture and special agricultural production sectors aimed at utilization of the existing production base of the farms and special agricultural production sectors through restarting the production in these farms and special agricultural production sectors after the break that lasted at least one year,
- application and increase the Agency subsidies for interest on investment loans for agriculture, food processing and agricultural services, extended before coming into force of the Council's of Minister ordinance of January 30, 1996 concerning the specific directions of the actions of the Agency for Agriculture Restructuring and Modernization and rules for implementation of these actions,
- loans for undertakings generating new jobs for rural population in non-agricultural sectors in rural and rural/urban municipalities,
- loans for resuming the activity in the areas affected by droughts, hails, excessive downfall of rains or snow, floods, hurricanes, fire, or scourge of rodents,
- loans extended for creation of furnishing of a farm within the scope of the programme for settlement on state owned farmlands approved by the Ministry of Agriculture and Food Economy and Ministry of Finance

#### **Amount of assistance granted**

In 1999 the Agency allocated PLN 704.6 million for subsidizing the interests on investments loans.

#### **Beneficiaries**

The entities that may apply for loans subsidized interests to the Agency are:

- natural or corporate persons conducting activities in agriculture and special agricultural production,
- natural or corporate persons conducting or starting up business activities in the rural or rural/urban municipalities.

### **6. Intervention Purchase of Food and Agricultural Products by the Agricultural Products by the Agricultural Market Agency (AMA)**

#### **Amount of assistance granted**

##### **(a) grain market**

In 1999 AMA directly purchased 328.2 thousand tons of grain for PLN 105.0 million.

Simultaneously AMA granted surcharges for storage of the 3.2 million tones of grain (wheat – 2.7 million tones, rye – 0.5 million tones) in the total amount of PLN 231.7 million.

##### **(b) butter market**

In 1999 AMA purchased 4 thousand tones of butter for PLN 33.1 million

**(c) meat market**

In 1999 AMA purchased 119.9 thousand tones of pork half-carcasses for PLN 569.9 million.

**(d) bee-honey market**

In 1999 the total of 1.6 thousands tons of bee honey was purchased by AMA for PLN 9.9 million.

**7. Grants for Biological Progress in Agriculture**

**Legal basis – amendment**

- Law of 26 November 1998 on public finances (Journal of Laws No 155 item 1014 and of 1999 No 38 item 360, No 49 item 437, No 70 item 778, No 110 item 1255).
- The 1999 Budget Law (Journal of Laws No 17 item 154)
- Regulation of the Minister of Agriculture of 19 March 1999 on the amount of subject grants for entities in agriculture sector and detailed rules and procedures of awarding and accounting of these grants (Journal of Laws No 33 item 318 and No 100 item 1176).

**Amount of assistance granted**

In 1999 the grants totaled PLN 221.6 million, including:

animal breeding: PLN 125.3 million and plant production: PLN 96.3 million.

**Beneficiaries**

The grants are awarded to farmers and animal breeders as well as to entities involved in implementation of the goals related to biological progress in agriculture:

- |     |                              |                  |
|-----|------------------------------|------------------|
| (1) | grants for animal breeding:  |                  |
|     | - animal breeders            | PLN 65.2 million |
|     | - entities                   | PLN 60.1 million |
| (2) | grants for plant production: |                  |
|     | - animal breeders            | PLN 37.2 million |
|     | - entities                   | PLN 59.1 million |
-