

WORLD TRADE ORGANIZATION

G/SCM/N/71/ISL
26 February 2003

(03-1160)

Committee on Subsidies
and Countervailing Measures

Original: English

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

ICELAND

The following communication, dated 21 January 2003, has been received from the Permanent Mission of Iceland.

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I. THE AGRICULTURAL SECTOR**A. NAME OF PROGRAMME****1.1 Agricultural Agreements; Payments to milk farm and sheep farms**

(Budget item no: 04-801 & 04-805).

B. RESPONSIBLE AUTHORITY

Ministry of Agriculture.

C. POLICY OBJECTIVE

Icelandic agricultural policy is implemented in pursuit of objectives which include increasing efficiency in the agro-food sector, ensuring self-sufficiency for the country's major commodity production; using domestic inputs to the extent possible; increasing efficiency in the agricultural food sector; using export opportunities to the extent feasible; securing an equitable income for farmers; and integrating environmental issues with the agricultural policy.

D. FORMS OF SUBSIDY

As part of the move toward a more transparent and efficient system of transfers, direct payments based on support targets were introduced for registered farms producing sheepmeat and milk in 1992 and 1993 respectively. As of the 1996 Agricultural Agreement, however, production of sheepmeat was no longer a prerequisite; farmers need to own 60 per cent live sheep for their sheepmeat entitlements (i.e. formerly support targets). Allocations for the Agricultural Agreements are made under item no. 04-801 and 04-805 of the Budget (Ministry of Agriculture).

E. AMOUNT OF SUBSIDY

The amount of support measured by total costs budgeted for 2000 are listed in tables 1 and 2 below.

Table 1 Budget item no. 04-801; Agricultural Agreements, Million ISK

Agricultural Productivity Fund	170,0
Market Regulation	683,7
Price Support (total direct payments)	4.791,0

Table 2 Budget item no. 04-805; Price Support, Million ISK

Subsidies, wool	227,0
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F. RULES AND CONDITIONS

Implementation of the agricultural policy revolves around Agricultural Agreements negotiated between the Government and the Farmer's Union. Under Act No. 99/1993 on Production, Pricing and Sales of Agricultural Products, the Minister of Agriculture is given the authority to negotiate with the Farmer's Union on behalf of the Government on the total support target for milk and total support target for sheepmeat entitlements for which the State will guarantee administered prices. As of September 1998, however, administered prices were abolished for sheepmeat.

Support is provided for milk farms and sheep farms.

1. Milk farmers

Milk producers receive direct payments from the Government on milk delivered to dairies. The quantity must be within the allocated support targets. The amount of monetary support is equal for all producers in Iceland.

2. Sheep farmers

Sheep farmers receive direct payments from the Government which are based on support targets for sheepmeat entitlements, for which they must own 60 per cent live sheep.

3. Sheep farmers – Wool

Wool scouring plants receive support from the Government and a regulated producer price for wool is maintained above the world market price level. The price of wool is thus administered at both the producer and wholesale level.

4. Market regulation

Market regulation funds are used to pay for stockholding costs, marketing efforts and withdrawal of sheepmeat entitlements. Due to the relatively short slaughter season (on average about six weeks in September and October) accumulation and holding of stocks of sheepmeat between slaughter seasons is necessary as a safety measure to ensure supply. Specific marketing efforts geared towards promotion of sheepmeat are included under this heading along with costs associated with withdrawal of sheepmeat entitlements.

With reference to the above mentioned programmes, direct payments to dairy producers and sheepmeat entitlements holders are granted directly to farmers. The other two programmes are to be considered as market regulation schemes.

G. DURATION

Current Agricultural Agreements will terminate in August 2005 (milk farmers) and in December 2007 (sheep farmers).

H. LEGAL BASIS

Act No. 99/1993 on Production, Pricing and Sales of Agricultural Products. The State Budget.

I. TRADE EFFECTS

An assessment of the trade effects of the subsidies is not available. Below, in tables 3 and 4 there is, however, presented statistics on production, consumption and exports of the relevant agricultural commodities.

Table 3 Quantity of milk received by dairies and calculated consumption by fat-content of milk derived products (in 1000 of litres)

Milk, received		Cream	Yoghurt products, etc.	Butter	Cheeses	Skimmed Milk-powder, etc.
Year	by dairies					
2000	104.025	16.438	2.978	24.929	23.714	1.573

Table 4 Quantity of sheep meat (in 1000 kg)

Year	Production	Export	Consumption
2000	9.735	1.355	7.235

II. SUPPORT FOR R&D AND TECHNOLOGICAL INNOVATION

A. NAME OF PROGRAMME

2.1 Technology fund

B. RESPONSIBLE AUTHORITY

Icelandic Research Council which is under the supervision of the Ministry of Culture and Education.

C. POLICY OBJECTIVES

The objective of the Technology Fund is to facilitate innovation through supporting research and technological development.

D. AMOUNT AND FORM OF SUBSIDY

The amount of subsidy and number of projects in 2000:

TF – scheme	Million ISK	No of projects
RTD projects – General project support	151,30	70
Transfer of knowledge	16,800	12
Preprojects	12,050	20
Travel grants for plan of bilateral or International project RTD projects	7,620	24
	187,770	

Grants are awarded through three different schemes, general projects, transfer of knowledge and cooperation projects.

General projects are RTD projects. The fund contributes on average 30-40 per cent of the total cost of the projects. The participants pay the rest from industry and RTD institutions.

Transfers of knowledge projects are granted to companies lacking technical know-how but planning to initiate RTD activities to increase their technological competence. The grant is intended to pay half the labour cost of one technician.

Cooperation projects are both preprojects to investigate and plan future RTD projects and travel grants for companies and RTD institutions interested in European multinational projects.

E. RULES AND CONDITIONS

Subsidies are granted only on the basis of project applications and all projects are cofinanced. There is not formal upper limit for support, but the average support granted is around 30 per cent of total project expenses. There are only matching grants and applicants finance the remaining costs by own funding. Support is granted to universities, public research institutes business enterprises and individual scholars. All categories of applicants regardless of the branch of industry are eligible.

F. LEGAL BASIS

Act no. 61/1994 on the Icelandic Research Council, as amended by Act No. 44/1995.

G. TRADE EFFECTS

The support is granted to a variety of small projects and sectors, therefore it is difficult to present statistical data permitting an assessment of trade effects.

H. DURATION

There is no time limit.

A. NAME OF PROGRAMME

2.2 Support for R&D in marine aquaculture

B. RESPONSIBLE AUTHORITY

Ministry of Fisheries.

C. POLICY OBJECTIVE

To enhance scientific knowledge in marine aquaculture.

D. FORM OF SUPPORT

Grants.

E. AMOUNT OF SUPPORT

2000

Million ISK 19.1

F. RULES AND CONDITIONS

Grants are awarded on the basis of applications evaluated by a special committee.

G. DURATION

There is no time limit, but each programme is decided on for a year at a time.

H. LEGAL BASIS

The Budget item 05-190.

I. TRADE EFFECTS

There is no trade effect due to limited support.

III. SUPPORT TO SMALL AND MEDIUM-SIZED COMPANIES

A. NAME OF PROGRAMME

3.1. Job Creation Initiative
(Budget item 11-299-148).

B. RESPONSIBLE AUTHORITY

IceTec, under the auspices of the Ministry of Industry and Commerce.

C. POLICY OBJECTIVE

The objective is, to increase the knowledge and competence of entrepreneurs and small and medium-sized enterprises such as in managing, financing, product development, marketing and innovation.

D. FORM OF SUPPORT

Cost items incurred for consultants, product development, marketing and innovation are eligible for grants. Support shall in general not cover more than 30 per cent of eligible expenses and must not exceed 50 per cent.

E. AMOUNT OF SUPPORT

2000

Million ISK 88

F. RULES AND CONDITIONS

Firms and individuals having a registered domicile in Iceland can apply for a grant. Individuals who apply for grants according to these rules must declare that they have not received a grant from the Government amounting to more than ISK 8.4 million (100,000 ECU) last 3 years, the grant applied for included. In this context, special grants for investment are not included. Some 33 Million ISK of the amount is allocated to firms and individuals located in rural areas not enjoying the ongoing development of hydropower and related industrial development.

G. DURATION

There is no time limit, but each programme is decided on for a year at a time.

H. LEGAL BASIS

The Budget.

I. TRADE EFFECTS

There are no trade effects of the support due to the general framework of the scheme and limited support.

IV. SUPPORT FOR EMPLOYMENT AND TRAINING

A. NAME OF PROGRAMME

4.1 Vocational Training Fund. Support for Vocational Training

B. RESPONSIBLE AUTHORITY

Ministry of Social Affairs, Directorate of Labour.

C. POLICY OBJECTIVE

The main purpose of this programme is to maintain and develop vocational skills, in most cases for people already employed.

D. FORM OF SUBSIDY

Grants.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 39.3 million.

Through the programme 37 recipients have received 60 different vocational training courses. Most of these recipients are non-profit or public organizations.

F. RULES AND CONDITIONS

Grants to organizations on application to the Vocational Training Fund mainly to make curriculum or other teaching materials for the vocational training courses.

G. DURATION

The programme started in 1992. Duration has not been specified.

H. LEGAL BASIS

Act No.19/1992 on Vocational Training, the Budget, item No.07-984.

A. NAME OF PROGRAMME

4.2 Employment Opportunities for Women in Rural Areas

B. RESPONSIBLE AUTHORITY

Ministry of Social Affairs, Directorate of Labour.

C. POLICY OBJECTIVE

The main purpose of this programme is to create new jobs among women. Areas where high unemployment is among women will especially be considered.

D. FORM OF SUBSIDY

Grants, up to 50 per cent of primary R&D costs, innovation costs and cost of new products, process and systems for industrial production. Directorate of Labour pays the grants and controls their disposition.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 17.9 million.

It is difficult to give exact information on how many jobs have been created or maintained, as many of these new jobs are just part time jobs.

F. RULES AND CONDITIONS

Grants to women on application to the Directorate of Labour mainly to new product developing and marketing. The grant can also be given to companies, which have been established by women.

G. DURATION

The programme started in 1990. Duration has not been specified.

H. LEGAL BASIS

Governmental decision from 1990, the Budget item no.07-984.

A. NAME OF PROGRAMME

4.3 Vocational Rehabilitation and Employment of Disabled Persons

B. RESPONSIBLE AUTHORITY

Ministry of Social Affairs.

C. POLICY OBJECTIVE

The main purpose of this programme is to rehabilitate disabled persons.

D. FORM OF SUBSIDY

Gross wage subsidy to rehabilitation centers.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 156.6 million.

F. RULES AND CONDITIONS

The rehabilitation centers must have operating license from the Ministry of Social Affairs to apply to the Ministry for subsidies. Mainly subsidies for salaries to disabled persons.

G. DURATION

The new programme started in 1992. Duration has not been specified.

H. LEGAL BASIS

Act No.59/1992, Affairs of the Handicap Act and financed by the Budget item nos. 07.701, 07.702, 07.703, 07.706, 07.707, 07.708 and 07.711.

A. NAME OF PROGRAMME

4.4 Vocation Training in the Fishing Industry
(Budget item 05-190).

B. RESPONSIBLE AUTHORITY

Ministry of Fisheries.

C. POLICY OBJECTIVE

The aim of the programme is to promote the quality awareness and the quality of the working life within the industry with the aim to create better products and make the workers more pleased.

D. FORM OF SUBSIDY

Subsidy is in the form of grants, based on administration costs of seminars and training programmes concerning training, quality, working conditions etc. The aid is paid to consultant companies concerned for general administration cost of the programme, such as salaries, travels, materials etc.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 14 million.

F. RULES AND CONDITIONS

The programme is available to all domestic fish processing companies.

G. DURATION

No time limit, the amounts are decided on in the Budget each year.

H. LEGAL BASIS

The Budget item no. 05-190.

I. TRADE EFFECTS

It is not possible to measure trade effects.

V. REGIONAL SUPPORT

A. NAME OF PROGRAMME

5.1 Assistance to Development Projects

B. RESPONSIBLE AUTHORITY

Institute of Regional Development.

C. POLICY OBJECTIVE

The objective of the programme is to assist the economic development of the nationally assisted areas of Iceland. The assisted projects are very small and cover mostly product development, marketing, training and feasibility studies.

D. FORM OF SUBSIDY

Grants, up to around 40 per cent of project costs. The institute has legal provisions for other types of support.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 32.9 million.

F. RULES AND CONDITIONS

The programme is available to individuals, private companies, local development companies and municipalities.

G. DURATION

The programme has no time limit, the amount is decided on in the Budget each year.

H. LEGAL BASIS

Act no. 64/1985 on the Institute of Regional Development, the Budget, item no. 01-221.

A. NAME OF PROGRAMME

5.2 Assistance to Local Economic Development

B. RESPONSIBLE AUTHORITY

Institute of Regional Development.

C. POLICY OBJECTIVE

The objective of the programme is to assist local economic development companies in providing counselling for small business in their area.

D. FORM OF SUBSIDY

Grants of up to 50 per cent of specified running costs of counselling operations.

E. AMOUNT OF SUBSIDY

Actual total expenditure in 2000: ISK 109.4 million.

F. RULES AND CONDITIONS

The programme covers special counselling services to tourism in addition to counselling and general economic development.

G. DURATION

The programme has no time limit, the amounts are decided on in the Budget each year.

H. LEGAL BASIS

Act no. 64/1985 on the Institute of Regional Development, the Budget, item no. 01-221.
