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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

EUROPEAN COMMUNITIES

Addendum

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

PORTUGAL

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Please note: 1 EURO = Esc 200.482

1. Operational Programme for the Economy

1. Title of the programme

Operational Programme for the Economy.

2. Period covered by the notification

The present notification refers to the years 2001-2002.

3. Purpose and objectives of the programme

The Operational Programme for the Economy was created to stimulate Portuguese companies developing their activities in the industrial (including building construction), tourism, commercial and services sectors and to foster their productivity and competitiveness within the global market:

- To reinforce companies' competitiveness and their participation in the global market;
- To foster potential development areas.

4. Background and authority for the programme

The Operational Programme for the Economy is financed within the European Community Support Framework for eligible community structural interventions under Objective 1 of the Structural Funds during the period 2000-06. The Programme was approved by the European Commission on 11 July 2000 [Commission Decision C (2000) 1774 of 11 July 2000].

At the national level, the Programme is regulated by Decree-Law No. 70-B/2000 of 5 May 2000.

5. Form of the subsidy

Subsidy modalities are as follows: non-reimbursable subsidies (grants); reimbursable subsidies that may be substituted by the payment of interest or other expenses related to a bank loan of the same value; and venture capital interventions.

6. Subsidy beneficiaries and conditions

The beneficiaries of the Programme are:

- Companies within the industrial, construction, tourism, trade and services sectors and independent investors;
- central and local public administration, tourism areas and committees and other public entities;
- scientific and technological system entities, associative entities and other entities with specific competences in the development either of areas of economic activity and/or of major territorial intervention;

- companies specialized in the development of venture capital and guarantee and counter-guarantee funds directed exclusively to micro-companies and SMEs.

The projects submitted by the beneficiaries of each measure are evaluated according to a group of previously established specific selection criteria. The subsidies for positively evaluated projects are approved by the Minister of Economy and payments made in line with the current investment process.

7. Total and annual amount paid during the years 2001 and 2002

AXIS	Period: 2001			Period: 2002			Period: 2000-2002		
	Public Expenditure	Structural Funds	National Expenditure	Public Expenditure	Structural Funds	National Expenditure	Public Expenditure	Structural Funds	National Expenditure
	(1)=(2)+(3)	(2)	(3)	(4)=(5)+(6)	(5)	(6)	(7)=(8)+(9)	(8)	(9)
Act on the factors that make companies competitive	66,757	50,068	16,689	260,860	195,645	65,215	327,617	245,713	81,904
Promote the strategic areas for development	19,838	14,572	5,266	153,094	100,088	53,006	172,932	114,660	58,272
Improve the corporation environment	26,441	18,104	8,337	117,589	83,389	34,201	144,030	101,493	42,538
Technical Assistance	619	465	155	7,811	5,858	1,953	8,430	6,323	2,108
Total	113,655	83,209	30,447	539,354	384,980	154,375	653,009	468,189	184,822

8. Duration of the programme

The duration of the Programme corresponds to the period 2000-2006.

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

No statistical data permitting an assessment of the possible trade effects of the subsidies are available.

However, it should be underlined that a large percentage of the total subsidies is directed to SMEs engaged in activities related to local markets (non-tradable goods), as well as to entities not involved in market transactions (e.g., non-profit organizations).

2. **IMIT – Initiative for the Modernization of the Textile Industry**

1. Title of the subsidy programme

“IMIT” - Iniciativa para a Modernização da Indústria Têxtil”

2. Period covered by the notification

The years 2001-2002.

3. Policy objective and purpose of the subsidy

To improve the competitiveness of and to modernize the Portuguese textile and clothing manufacturing sectors.

4. Background and authority for the subsidy

Legal basis:

- Council of Ministers Resolution (RCM) Series No. 96-A/95 (D.R. 231/95, I-B Series, Suppl.2., 6 Oct. 1995); RCM No. 116/98 (D.R. 217/98, I-B Series, 19 Sept. 1998); RCM No. 104/99 (D.R. 216/99, I-B Series, 15 Sept. 1999); and RCM No. 7/00 (D.R. 9/00, II Series, 12 Jan. 2000).
- Decision No. 61-A/B/C/D/E/F/G/H/95 (D.R. 240/95, I-B Series, Suppl.3, 17 Oct. 1995); Decision No. 22/99 (D.R. 97/99, I-B Series, 26 April 1999); Decision No. 63/99, I-B Series, 23 Nov. 1999).

5. Form of the subsidy

Cash grants, reimbursable loans at zero interest rate and grant interest.

6. To whom and how the subsidy is provided

Recipients:

- Industrial companies in the textile and clothing sectors (Refs. 17, 181 and 182 of the Portuguese Economic Activities Classification - C.A.E.);
- Associations of entrepreneurs;
- Non-lucrative organizations (official or private) providing "fashion and design" services).

Subsidy allocation:

Subsidies are granted to industrial enterprises and/or applicant organizations on a case-by-case basis. They are granted by the Portuguese Ministry of Economy on application and paid according to the progress of the approved project.

7. Total amount or annual amount budgeted for the subsidy

Incentives awarded in 2001 (approved projects):

	(EUR thousand)		
	Community Funds (75%)	National Budget (25%)	Total
Grant interest	6,712	2,238	8,950
Cash grants	30,559	10,186	40,745
Reimbursable loans	10,357	3,453	13,810
		Total Grant	63,505

Incentives awarded in 2002 (approved projects):

(EUR thousand)

	Community Funds (75%)	National Budget (25%)	Total
Grant interest	15,406	5,139	20,555
Cash grants	25,314	8,438	33,752
Reimbursable loans	20,710	6,903	27,613
		Total Grant	81,920

8. Duration of the subsidy and/or any other time limits attached to it

The initiative was implemented in 1995 and remained available until the end of 1999.

9. Trade effects of the subsidy

No specific economic studies have been carried out. Evaluation data for this item are not available.

3. RETEX Operational Programme1. Title

RETEX Operational Programme

2. Objectives

Community Initiative Programme on regional aid with a view to facilitating the modernization of the industrial fabric in regions which are strongly dependent on the textile and clothing sector.

3. Duration of the subsidy

This subsidy system was in force from 1993 to 1999.

4. Legislative authority

- Decision No. 264/93 ("Despacho Normativo") of 11 September 1993;
- Decision No. 265/93 ("Despacho Normativo") of 11 September 1993;
- Decision No. 266/93 ("Despacho Normativo") of 11 September 1993.

5. Amount of the subsidy

Year: 2001

Amounts approved/disbursed:

(Esc million)

	Approved	Disbursed
Risk Capital Fund	0	0
Reimbursable co-participation *	1,156,703	1,156,703
Non-repayable subsidy	3,775,954	3,962,372

* Repayable financing at zero interest rate for an amount not exceeding 40 per cent of the total financing necessary, with a ceiling of Esc 150 million.

Government expenditure programmed: None

Programme completed on 31 December 2001.

4. Regional Incentives System (SIR)

1. Title

Regional Incentives System (SIR)

2. Objectives

The objective of this regional assistance programme, which covers all of the country's less-developed inland and coastal regions, is to contribute to the endogenous development of those regions by improving their competitiveness and helping to create jobs and thereby reduce migration, while promoting diversification of the production of goods and services.

3. Duration of the subsidy

This subsidy system was in force from 1994 to 1999.

4. Legislative authority

Decree-Law No. 193/94 of 19 July 1994;

Council of Ministers Resolution No. 67/94 of 11 August 1994.

5. Amount of the subsidy

Year: 2001

Amounts approved/disbursed:

(Esc million)

	Approved	Disbursed
Non-repayable subsidy + Reimbursable co-participation	0	1,515,921

Government expenditure programmed: None

Programme completed on 31 December 2001.

5. Strategic Programme for the Revitalization and Modernization of Portuguese Industry (PEDIP II)

1. Title

Strategic Programme for the Revitalization and Modernization of Portuguese Industry (PEDIP II).

2. Objectives

Assistance programme to revitalize the sustained growth of the competitiveness of Portuguese enterprises in order to enhance their capacity to respond to rapid technological and market changes, while at the same time supporting the modernization, diversification and globalization of domestic industry.

3. Duration of the subsidy

This subsidy system was in force from 1994 to 1999.

4. Legislative authority

Decree-Law No. 177/94 of 27 June 1994;

Council of Ministers Resolution No. 50/94 of 1 July 1994.

5. Amount of the subsidy

Year: 2001

Amounts approved/disbursed:

	(Esc million)	
	Approved	Disbursed
Non-repayable subsidy + Reimbursable co-participation	30,508,193	30,197,386

Government expenditure programmed: None

Programme completed on 31 December 2001.

6. International Development Support Programme for Trade and Services (PAIEP 2)

1. Title

International Development Support Programme for Trade and Services (PAIEP 2)

2. Objectives

To promote the sustainable development of the competitiveness of trade and service enterprises in the context of a coherent strategy for the modernization and globalization of their activities.

3. Duration of the subsidy

This subsidy system was in force from 1994 to 1999.

4. Legislative authority

Decree-Law No. 290/94 of 14 November 1994;

Council of Ministers Resolution No. 121/94 of 15 December 1994.

5. Amount of the subsidy

Year: 2001

Amounts approved/disbursed:

(Esc million)

	Approved	Disbursed
Non-repayable subsidy + Reimbursable financial co-participation at zero interest rate	521,628	521,628

Government expenditure programmed: None

Programme completed on 31 December 2001.
