The following notification, dated 28 November 1995, has been received from the Permanent Mission of the Czech Republic.

In view of the decision taken by the CONTRACTING PARTIES of the GATT 1947 on Avoidance of Procedural and Institutional Duplication (L/7582, dated 13 December 1994) this notification is deemed to be also a notification under Article XVI:1 of the GATT 1947.

The notification covers existing programmes. The amounts of subsidies notified are subsidies paid out in 1994.

PART ONE: INDUSTRY

1. **Background of subsidy programme, policy objective**

   Export Promotion

2. **Background and authority for the subsidy**

   Export Guarantee and Insurance Corporation (Exportní garanční a pojišťovací společnost, a.s. - EGAP)

3. **Legislation under which it is granted**


4. **Form of the subsidy**

   - insurance of export credits against commercial and political risks (premium rate 1.5-7.5 per cent of insured amount);
- export subsidies to compensate for differences between domestic interest rates over foreign ones.

5. **To whom and how the subsidy is provided**

All Czech-based enterprises, regardless of industry, are eligible, subject to the following conditions:

- domestic supplies amount to at least 60 per cent of the total value of export;
- a compensation can cover up to 70 per cent of the excess of domestic over foreign interest rates.

EGAP has discretion in respect of the terms of the subsidy.

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

The total amount was CZK 926 million, of which:

- 800 million - equity for the insurance fund
- 126 million - interest rates compensation

The annual budget allocation amounted to CZK 900 million (CZK 26 million was financed from 1993 resources).

7. **Duration of the subsidy and/or any other time-limits attached to it**

According to duration of individual cases.

8. **Effect of the subsidy**

The effect of the subsidy could be calculated on the basis of insured exports amounting to CZK 14.7 billion in 1994.

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1. **Title of subsidy programme, policy objective**

State Loan Guarantees granted to finance certain development programmes.

2. **Background and authority for the subsidy**

Ministry of Finance

3. **Legislation under which it is granted**

Act on Budgetary Regulations (No. 576/1990)
4. **Form of the subsidy**

State guarantees on bank loans

5. **To whom and how the subsidy is provided**

Producers engaged in the areas of infrastructure, environment and export promotion. The subsidy is granted by the Ministry of Finance on the basis of the decision by the Government as discretionary. General rules are the debtor's bond of property and compulsory fee for provided guarantee. The fee is equal to 0.5 per cent of guaranteed amount and it is paid for new guarantees awarded since 1994.

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

The total stock of the guarantees provided was CZK 30.2 billion, with guarantee payments to banks amounting to CZK 386 million.

7. **Duration of the subsidy and/or any other time-limits attached to it**

According to the maturity of guaranteed credits.

8. **Effect of the subsidy**

The effect of the subsidy has not been calculated.

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1. **Title of subsidy programme, policy objective**

Support for Research and Development

2. **Background and authority for the subsidy**

Grant Agency (Grantová agentura) which is a government agency administering government 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 competences.

3. **Legislation under which it is granted**


4. **Form of the subsidy**

- direct subsidies (grant)
- zero interest loans (max. 3 years)
- financing of government R&D agencies
5. To whom and how the subsidy is provided

All companies, regardless of industry, are eligible. The support is primarily directed to basic research and technological development, partially it is aimed at applied research. Decision to provide the subsidy is based on the following considerations:

- expected value;
- social importance of a project;
- importance of a project for infrastructure of science and technology;
- adequacy of financial proposal;
- ability of the applicant to undertake the project.

No limitation in respect of the share of subsidy on the costs of a project is laid down.

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

The support cannot be broken down per unit. The total amount of subsidy was CZK 4,216 million, of which:

- CZK 4,079 million in the form of grant, and
- CZK 137 million in the form of zero interest loans (1994 average interest rate for medium term bank loans was 14.59 per cent - interest saved by the recipients CZK 20 million)

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

Grant - three years

Zero interest loans - generally three years time limit for accomplishment of the project and five years for repayment of the loan after its accomplishment.

8. Effect of the subsidy

The effect of the subsidy has not been calculated.

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1. Title of subsidy programme, policy objective

Support to promote the conservation of fuels and energy savings in buildings and flats

2. Background and authority for the subsidy

Energy Agency (Energetická agentura) acting upon authorization by the Ministry of Industry and Trade.
3. **Legislation under which it is granted**


4. **Form of the subsidy**

- grant (61 per cent)
- interest subsidy (30 per cent)
- zero interest loan (9 per cent)

5. **To whom and how the subsidy is provided**

To the business sector for reconstruction and construction of alternative energy sources and to the building owners for improving the thermo-technological quality of buildings, measurement and regulation of heating.

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

The total amount of the subsidy was CZK 408 million covered by the annual budget allocation amounting to CZK 398 million (CZK 9 million was financed from 1993 resources).

7. **Duration of the subsidy and/or any other time-limits attached to it**

Three to four years

8. **Effect of the subsidy**

The effect of the subsidy has not been calculated

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1. **Title of subsidy programme, policy objective**

Subsidy for transport

2. **Background and authority for the subsidy**

Ministry of Transport

3. **Legislation under which it is granted**

Act on State Budget 1994 (No. 331/1993)

4. **Form of the subsidy**

Grant
5. To whom and how the subsidy is provided

The subsidy is provided to transport companies with the aim to compensate losses of the state railways and losses of the road transport companies resulting from student fares and in order to cover interest costs of technical equipment leasing in the air transport.

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

The total amount of the subsidy was CZK 7,174 million, allocated to the following areas:

- CZK 5,771 million rail transport
- CZK 1,243 million road transport
- CZK 160 million air transport

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

Price subsidies will be gradually withdrawn in accordance with the price deregulation. Interest grants to the Czechoslovak airlines should be paid until 1997.

8. Effect of the subsidy

The effect of the subsidy has not been calculated

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1. Title of subsidy programme, policy objective

Investment subsidy for railway infrastructure

2. Background and authority for the subsidy

Ministry of Transport

3. Legislation under which it is granted

Act on State Budget 1994 (No. 331/1994)

4. Form of the subsidy

Capital subsidy

5. To whom and how the subsidy is provided

The subsidy is awarded on the basis of public tenders to companies engaging in investment in railways transport infrastructure and in reconstruction and improvement of railways.
6. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

The total amount of the subsidy was CZK 2,407 million.

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

No general limitation. Duration is laid down in the annual budget.

8. Effect of the subsidy

The effect of the subsidy has not been calculated.

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1. Title of subsidy programme, policy objective

Subsidy to cover the costs related to the discontinuance, curtailment or closure of mining activities

2. Background and authority for the subsidy

Ministry of Industry and Trade

3. Legislation under which it is granted

Act on State Budget 1994 (No. 331/1993), Guidelines of the Ministry of Finance to implement the Government decisions on discontinuance, curtailment or closure of mining activities.

4. Form of the subsidy

Grant

5. To whom and how the subsidy is provided

Coal mining companies applying the government programme of liquidation of mining plants, compensation for dismissed employees, compensation of ecological damages and of recultivation of environment.

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

The total amount of the subsidy was CZK 4,418 million.

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

No general limitation. Duration is laid down in the annual budget
8. **Effect of the subsidy**

   The effect of the subsidy has not been calculated.

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1. **Title of subsidy programme, policy objective**

   Promotion of Small and Medium-Sized Enterprises

2. **Background and authority for the subsidy**

   Czechomoravian Guarantee and Development Bank (Českomoravská záruční a rozvojová banka, a.s.) acting upon supervision of the Ministry of Economy.

3. **Legislation under which it is granted**


4. **Form of the subsidy**

   - partial settlement of interest of loans
   - loan guarantees
   - grant for payment of consulting firms services, settlement of instalments in the first year of the drawing of a loan

5. **To whom and how the subsidy is provided**

   Companies with less than 500 employees (in specific projects with less than 10 employees), which have their seat and operate in the Czech Republic, are eligible. The Bank has discretion in respect of the terms of the subsidy

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

   The total amount of the subsidy was CZK 1,301 million covered by the annual budget allocation amounting to CZK 1,101 million (CZK 200 million was financed from 1993 resources).

7. **Duration of the subsidy and/or any other time-limits attached to it**

   Maximum four years (health and pharmaceutical sectors - maximum eight years) for individual projects.

8. **Effect of the subsidy**

   The effect of the subsidy has not been calculated.

   * * *
1. Title of subsidy programme, policy objective

Subsidy for environmental protection purposes

2. Background and authority for the subsidy

State Environmental Fund (Státní fond životního prostředí) acting upon supervision of the Ministry of Environment

3. Legislation under which it is granted

Act on State Environmental Fund No. 388/1991

4. Form of the subsidy

- Grant (59 per cent)
- Loan (41 per cent)

5. To whom and how the subsidy is provided

All companies, regardless of industry, are eligible. The subsidy is awarded by the State Environmental Fund and by the Ministry of Environment as discretionary. Conditions are defined for each individual case. Maximum support represent:

- in non-business sector - 40 per cent for grant and 40 per cent for loan of the basic cost of the project;
- in business sector - 60 per cent for loan

6. Subsidy per unit, or incases where this is not possible, the total amount or the annual amount budgeted for that subsidy

The support cannot be broken down per unit. The total amount of subsidy was CZK 3,544 million, of which:

- CZK 2,097 million in the form of grant, and
- CZK 1,447 million in the form of preferential interest loans (loans with average interest rate 7 per cent, 1994 average interest rate for medium-term bank loans was 14.59 per cent - interest saved by the recipients - CZK 110 million).

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

Maximum seven years (loans)

8. Effect of the subsidy

The effect of the subsidy has not been calculated.

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PART TWO: AGRICULTURE

1. Title of subsidy programme, policy objective
   Market regulation of selected agricultural products

2. Background and authority for the subsidy
   State Fund for Market Regulation in Agriculture (Státní fond tržní regulace)

3. Legislation under which it is granted
   Act on State Fund for Market Regulation in Agriculture (No. 472/1992)

4. Form of the subsidy
   Grant

5. To whom and how the subsidy is provided
   All companies engaging in agriculture are eligible. Their selection is made on the basis of tender. Market regulation of the Fund is carried out by intervention purchases and/or by subsidized export of products. (For further details see Document G/STR/N/1/CZE).

6. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
   The state budget disbursement designed for the activity of the Fund totalled to CZK 1,918 million.

7. Duration of the subsidy and/or any other time-limits attached to it
   One year

8. Effect of the subsidy
   Operations of the Fund in 1994 were conducted in the following commodities for which statistical data permitting an assessment of the trade effects are included:
Operation of the SFMR in 1994

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Years</th>
<th>Production</th>
<th>Total export</th>
<th>SFMR export</th>
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<tr>
<td>Grain (cereals)</td>
<td>1994</td>
<td>6,777.20</td>
<td>60.67</td>
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<tr>
<td>Malt</td>
<td>1994</td>
<td>420.00</td>
<td>179.42</td>
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<td>Pork meat</td>
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<td>1994</td>
<td>69.51</td>
<td>19.88</td>
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<td>Potatoes</td>
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<td>39.11</td>
<td>23.01</td>
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<td>Potato starch</td>
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<td>13.23</td>
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</tbody>
</table>

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1. Title of subsidy programme, policy objective
   Support for privatization, restructuring and research in agriculture

2. Background and authority for the subsidy
   Ministry of Agriculture

3. Legislation under which it is granted
   Act on Budgetary Regulations (No. 576/1990), regulations of the Ministry of Finance (The Principles of Granting Subsidies and Returnable Financial Aid in Agriculture (No. 193/64/93/92) and the Ministry of Agriculture (The Implementing Guidelines for Granting Subsidies (No. 39/93-200)).

4. Form of the subsidy
   - Grant
   - Non interest bearing loans with repayment of 7-15 years
   - Guarantees from Farming and Forestry Support and Guarantee Fund
5. **To whom and how the subsidy is provided**

All agricultural companies, including research institutions and cultivators are eligible. The subsidy aims at:

- development support of market economy, restructuring of production of individual sectors and their affiliation with food processing industry, services and trade;

- maintenance of genetic potential, research, consultancy and informatics;

- solution of impacts of external influences in forest farming, drinking-water supply, canalization and waste-water cleaning.

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

The total amount of the subsidy was CZK 5,362 million, allocated to the following areas:

- 246 million - loans at zero interest for restructuralization of final use of agriculture products (e.g. production of bio-oil)
- 752 million - genetic potential grant
- 438 million - countryside preservation grant
- 383 million - new forests protection grant
- 250 million - environment-water economy grant
- 201 million - restructuralization of vegetable production grant
- 176 million - grant - animals, products
- 110 million - environmental priority - forestry grant
- 50 million - grant for informatization
- 35 million - bee-keeping - grant
- 18 million - grant for reconstruction of vineyards and hop plantations
- 18 million - consultancy - grant
- 13 million - grant of transformation of land to forests
- 2.654 million - grant for Farming and Forestry Support and Guarantee Fund (guarantees for bank loans, grants for partial settlement of interests)

7. **Duration of the subsidy and/or any other time-limits attached to it**

One year

8. **Effect of the subsidy**

The effect of the subsidy has not been calculated.