

Pursuant to Article 4, paragraph (4), Article 11, paragraph (2), and Article 12, paragraph (2) of the State Aid Act (Official Gazette No. 47/2003) and Article 29, paragraph (1) of the Croatian Government Act (Official Gazette No. 101/98, 15/2000 and 117/2001), the Government of the Republic of Croatia, at the session held on 24 July 2003, adopted the following

REGULATION

ON STATE AID

I. GENERAL PROVISIONS

Scope of the Regulation

Article 1

This Regulation shall regulate the content and elements material for the evaluation of the compliance of state aid with the provisions of the State Aid Act, the procedure of giving opinions on proposals of enactments determining general state aid and the content, procedure and time limits for forwarding proposals of enactments purporting to authorize or grant state aid.

Definitions

Article 2

For the purposes of this Regulation, the terms below shall have the following meanings:

- *basic research* has the meaning of basic research from Article 3, paragraph (2) of the Act on Scientific Research Activities (Official Gazette No. 59/96 - consolidated wording),

- *applied research* has the meaning from Article 3, paragraph (3) of the Act on Scientific Research Activities (Official Gazette No. 59/96 - consolidated wording),

- *development research* has the meaning from Article 4 of the Act on Scientific Research Activities (Official Gazette No. 59/96 - consolidated wording),

- *entrepreneur* has the meaning of entrepreneur from Article 29 of the Rules on Value Added Tax (Official Gazette No. 60/96, 113/97, 7/99, 112/99, 119/99, 44/2000, 63/2000, 80/2000, 109/2000, 54/2001 and 58/2003),

- *enterprise* has the meaning of enterprise from Article 31 of the Rules on Value Added Tax (Official Gazette No. 60/96, 113/97, 7/99, 112/99, 119/99, 44/2000, 63/2000, 80/2000, 109/2000, 54/2001 and 58/2003),

- *entrepreneurial independence* has the meaning of entrepreneurial independence from Article 2, paragraphs (3) and (4) of the Act on Incentives to the Development of Small Entrepreneurship (Official Gazette No. 29/2002),

- *small entrepreneur* has the meaning of a small subject of small entrepreneurship from Article 3, paragraph (3) of the Act on Incentives to the Development of Small Entrepreneurship (Official Gazette No. 29/2002), who is independent in his business,

- *medium-sized entrepreneur* has the meaning of a medium subject of small entrepreneurship from Article 3, paragraph (4) of the Act on Incentives to the Development of Small Entrepreneurship (Official Gazette No. 29/2002), who is independent in his business,

- *big entrepreneur* has the meaning of an entrepreneur who does not meet the conditions from Article 2, paragraph (1) of the Act on Incentives to the Development of Small Entrepreneurship (Official Gazette No. 29/2002),

- *justified costs* means the costs for which state aid may be granted,

- *investments* means the value of things, rights and obligations entered in the basic

capital of an entrepreneur determined according to the International Accounting Standards,

- *initial investment* means investments in the establishment of a new or in the expansion of an existing enterprise, in changes in the production process or products in the existing enterprise by rationalization, diversification or modernization, and investments in capital assets, such as the acquisition of an enterprise which ceased to be active or would otherwise cease to be active,

- *state aid administration* means the preparation and delivery of proposals of enactments purporting to authorize or grant individual state aid to the Competition Agency (hereinafter the «Agency») in accordance with Articles 11 and 13 of the State Aid Act and the implementation and the supervision of the implementation of individual state aid based on general state aid,

- *Area A* means the area from Article 4, paragraph (3), item a) of the State Aid Act,

- *Area B* means the area from Article 4, paragraph (3), item d) of the State Aid Act,

- *net equivalent of state aid* means the final amount of state aid received by the entrepreneur after deduction of taxes,

- *intensity of state aid* means the amount of scope of state aid expressed as a percentage of the justified costs in the total costs.

Adding and Cap Amounts of State Aid

Article 3

(1) Unless this Regulation provides otherwise, under this Regulation different types and purposes of state aid may be added.

(2) The total amount of state aid from paragraph (1) of this Article may not exceed the cap determined according to the types and purposes from this Regulation.

(3) The cap from paragraph (2) of this Article shall be determined for the amount of state aid from the state budget of the Republic of Croatia and from the budget of the units of local and regional self-government in the current year.

(4) State aid may be included in the proposal of the budget from paragraph (2) of this Article for the current year if meeting the conditions prescribed by this Regulation, which is the responsibility of the authority competent to administer individual general state aid, as prescribed by this Regulation.

(5) With respect to the state aid granted from the budgets of the units of local or regional self-government, it shall be within the mandate of the authorities of the unit of local or regional self-government in question.

Proposal of Enactments

Article 4

(1) The proposal of enactments shall be based on the provisions of the State Aid Act and on the rules arising from:

- this Regulation,

- Article 35, paragraph (1), item iii., paragraph 2, paragraph (7), item a) and paragraph (8) of the Interim Agreement on Trade and Related Issues between the Republic of Croatia and the European Community (Official Gazette - International Treaties No. 15/2001, 3/2002 and 14/2002), and Protocol 2 and Protocol 6, which are a component part of the same Interim Agreement, that is, Article 70, Paragraph (1), item iii, paragraph (2), paragraph (7), item a) and paragraph (8) of the Stabilization and Association Agreement between the Republic of Croatia and the European Communities and their Member States (Official Gazette - International Treaties No. 14/2001 and 14/2002) and Protocol 2 and Protocol 6, which are a component part of the same Agreement,

- Agreement on Subventions and Compensatory Measures, which is a component part of

the Marrakech Agreement on the Establishment of the World Trade Organization (Official Gazette - International Treaties No. 13/2000 and 14/2000).

(2) The Agency shall approve the proposal of enactments if in accordance with paragraph (1) of this Article.

(3) If the proposal of enactments does not meet the condition from subparagraph (1), paragraph (1) of this Article, the proposal of enactments shall be forwarded to the Agency, which shall then decide about the proposal in accordance with Articles 11 and 13 of the State Aid Act.

State Aid of Small Value

Article 5

(1) State aid of small value is state aid granted to a single beneficiary of state aid, not exceeding the total amount of HRK 750,000 in a three-year period, regardless of the form or purpose of state aid, for the award of which it is not necessary to obtain an approval of the Agency.

(2) State aid from paragraph (1) of this Article may be added to general and individual state aid, in accordance with Article 3 of this Regulation.

(3) State aid from paragraph (1) of this Article may not be granted for the purpose of encouraging export and to entrepreneurs for the performance of the activity of production of steel and the activity of transport.

(4) The provider of state aid of small value shall be obliged to inform the beneficiary of state aid that the state aid from paragraph (1) of this Article has been granted.

(5) The provider of state aid shall be obliged to inform the Agency about each granted state aid of small value, within 15 days from the day of granting.

(6) The provider of state aid shall be obliged to keep records of the granted state aid of small value by individual beneficiaries of state aid. The provider of state aid shall keep the data on the granted state aid of small value for a period of ten years from the day of granting.

II. SPECIAL RULES FOR SPECIFIC TYPES OF HORIZONTAL STATE AID

1. RESEARCH AND DEVELOPMENT

Article 6

(1) State aid for research and development in line with Article 4, paragraph (3), item d) of the State Aid Act shall be:

a) State aid for basic research with the aim of achieving scientific and technical progress, which does not have direct impact on economic activities. State aid for basic research may be granted up to 100% of the justified costs of the project, if the results of such research are available on an impartial basis under the ordinary market conditions;

b) State aid for applied research with the aim of acquiring knowledge for the development of new products, procedures and services or the improvement of the existing products, procedures and services. The aid for applied research may be up to 50% of the justified costs of the project;

c) State aid for development research with the aim of using the results of industrial research for the formation of new, altered and improved products, procedures and services, regardless whether such formation is anticipated for sale or use, including the making of prototypes, which are not commercially exploitable. The aid for development research may be up to 25% of the justified costs of the project;

d) State aid for technical feasibility studies, which are a condition for the implementation of applied and developmental research. State aid may be granted for technical feasibility studies up to 75% of the justified costs of the project, if it is a condition for the implementation of applied research, and up to 50% of the justified costs of the project, if it is a condition for

the implementation of development research.

(2) The amount of state aid from items b), c) and d) of paragraph (1) of this Article may be increased:

a) by 10% of the justified costs of the project for small and medium-sized entrepreneurs,

b) by 10% of the justified costs of the project, if the development project is implemented in Area A, and by 5% of the justified costs of the project in Area B,

c) by 15% of the justified costs of the project, if the research project is in accordance with the objectives of a project or program taking place as part of a framework program of the European Union for research and technological development, that is, by 25% of the justified costs of the project, if the project includes cross-border co-operation of entrepreneurs and public research organizations and the results are widely available and published, taking into consideration intellectual property rights,

d) by 10% of the justified costs of the project, if the research project is not in accordance with the objectives or a project or program taking place as part of a framework program of the European Union for research and technological development, if one of the following conditions is satisfied:

- the project embraces efficient co-operation of entrepreneurs and public research organizations, especially from the aspect of co-ordination of the national guidelines for research and technological development,

- the results of the project are widely available and published, the patent licenses have been distributed or that other activities are pending under the conditions similar to the provisions on exchange of results of the European Union for research and technological development.

(3) The amounts of state aid from paragraph (2) of this Article may be added, but the amount of state aid may not exceed 75% of the justified costs of the project for applied research and 50% of the justified costs of the project for development research.

Article 7

Justified costs for the purpose of research and development are:

- labour costs of the employees working exclusively on research activities,
- costs of instruments, equipment and real estate, exclusively and permanently used for research activities,
- costs for advisory and similar services anticipated exclusively for research activities,
- additional aggregate costs incurred as a direct consequence of research and development,
- other operative costs incurred as a direct consequence of research and development.

Article 8

The proposal of enactments determining state aid from Article 6 of this Regulation in the amount of at least HRK 37.5 million for a research project with the total value of at least HRK 187.5 million has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

Article 9

General state aid for research and development shall be within the mandate of the ministry competent for science and technology.

2. ENVIRONMENTAL PROTECTION

Article 10

State aid for environmental protection, anticipated for the remedying or prevention of damages to the environment and natural resources, for the achievement of environmental

protection standards or the encouragement of a rational use of nature and its resources, is in accordance with Article 4, paragraph(3), item d) of the State Aid Act.

Article 11

(1) State aid for environmental protection may be granted:

a) for adjusting to new binding standards of environmental protection, to small and medium-sized entrepreneurs up to 15% of the justified costs of the project, in the period of 3 years from the acceptance of the standards,

b) for the achievement of a higher level of environmental protection than prescribed by the binding standards, that is, for investments in environmental protection as long as there are no binding standards, to big entrepreneurs up to 30% of the justified costs of the project, and to small and medium-sized entrepreneurs up to 40% of the justified costs of the project,

c) for energy related efficiency and simultaneous production of electrical and thermal energy, and for renewable energy sources, to big entrepreneurs up to 40% of the justified costs, and to small and medium-sized entrepreneurs up to 50% of the justified costs of the project.

(2) The amount of state aid from item c) of paragraph (1) of this Article may be increased by 10% of the justified costs for state aid for investments in renewable energy sources, which are entirely in accordance with the energy requirements of a completed community.

(3) In exceptional cases, the Agency may grant more state aid for investments in renewable sources of energy from item c) of paragraph (1) of this Article, if proven that the state aid would be crucial.

(4) With respect to the state aid from items b) and c) of paragraph (1) and paragraph (2) of this Article, the beneficiary of state aid located in an area, which has the right to regional state aid from Title III of this Regulation, has the right to one of the two options below, whichever is more advantageous:

- the cap of state aid for investments in environmental protection increased by 10% of the justified costs in Area A or increased by 5% of the justified costs in Area B,
- the cap of regional state aid increased by 10% of the justified costs.

Article 12

(1) State aid for the rehabilitation of polluted areas may be granted only if the person responsible for the pollution is not known or if the cost of rehabilitation cannot be imposed.

(2) The state aid from paragraph (1) of this Article may be granted up to 100% of the justified costs.

Article 13

The state aid from paragraph (10) of this Regulation may be granted for current operations, if there is significant contribution to the protection of the environment, specifically as:

- a stimulation of environmentally appropriate forms of waste management and for the encouragement of energy efficiency,
- a decrease or exemption from taxes for environmental protection,
- a stimulation of use of renewable energy sources,
- for simultaneous production of electric and thermal energy.

Article 14

(1) The justified costs of investments anticipated for environmental protection are:

- additional costs for real estate and equipment,
- the costs of non-material investments from Article 44 of this Regulation, necessary for the achievement of the goals of environmental protection.

(2) The justified costs from paragraph (1) of this Article shall be calculated without the benefits arising out of the increase of capacity, savings in expenses during the first five years

of investments and additional auxiliary production during the five-year period.

(3) The justified costs of rehabilitation of the polluted area are labour costs decreased for the increase in the value of the land.

Article 15

General state aid for environmental protection shall be within the mandate of ministries competent for environmental protection and energy.

3. REHABILITATION AND RESTRUCTURING

Article 16

(1) State aid for rehabilitation and restructuring anticipated for entrepreneurs in difficulties, is in accordance with Article 4, paragraph (3), item d) of the State Aid Act.

(2) The entrepreneur in difficulties from paragraph (1) of this Article is an entrepreneur not able to stop negative business trends by using his own means or means that he may receive from his owners or creditors, and which would jeopardize, without state mediation, the survival of the entrepreneur.

(3) State aid for rehabilitation and restructuring may not be granted to newly-created companies, companies created following the liquidation of the now nonexistent company and affiliated companies, unless it may be proven that the cause of the difficulties is within the company and that the difficulties are not the result of arbitrary reclassification of costs between the companies.

(4) State aid for rehabilitation and restructuring may not be granted to entrepreneurs for the activity of steel production.

Article 17

(1) State aid for the rehabilitation of financial problems while the entrepreneur is preparing a plan of rehabilitation may be granted under the following conditions:

- it has to support the liquidity of the entrepreneur in the form of guarantees and loans under ordinary market conditions,
- the borrowed amount has to be returned within 12 months after the payment of the last instalment to the entrepreneur,
- it has to be granted, because of serious social difficulties,
- it has to be limited to the amount still enabling the business of the entrepreneur,
- it is granted for the period necessary for the preparation of the restructuring plan, and at most for a period of six months,
- it may be granted only once.

(2) Until the expiration of the term from Subparagraph 5, Paragraph (1) of this Article, the beneficiary of state aid is obligated to deliver to the provider of state aid a restructuring plan or a program of involuntary settlement or a bankruptcy petition or a guarantee that the support shall be returned.

Article 18

(1) State aid for restructuring shall be a part of a long-term plan for the revival of an entrepreneur and may be granted provided that:

- the entrepreneur proposes a restructuring program, especially including the causes and consequences of the difficulties experienced by the entrepreneur, anticipating ways of solving the difficulties, funding sources, duration and economic and social consequences of the restructuring,
- it is limited to the minimum means necessary for the implementation of restructuring measures within the framework of the existing funding sources of the entrepreneur,
- the entrepreneur substantially contributes to the restructuring process.

(2) State aid for restructuring may be granted again only ten years after the day of

granting of the last state aid for restructuring.

(3) Without prejudice to the provisions of paragraph (2) of this Article, state aid may be granted earlier, because of extraordinary circumstances beyond the control of the entrepreneur.

(4) The provider of state aid shall forward to the Agency once a year a report on the implementation of the restructuring plan once a year.

Article 19

(1) The highest amount of state aid, which may be granted to an entrepreneur for rehabilitation and/or restructuring, may not exceed HRK 75 million, including state aid from other general state aids. A higher amount of state aid may be granted only on the basis of a restructuring plan and the approval from Article 13 of the State Aid Act.

(2) The proposal of enactments determining state aid for the rehabilitation and restructuring of a big entrepreneur shall be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act, and the proposal shall include measures preventing negative impact on market competition.

Article 20

General state aid for rehabilitation and restructuring shall be within the mandate of the ministry competent for the economy.

4. SMALL AND MEDIUM-SIZED ENTREPRENEURS

Article 21

(1) State aid to small and medium-sized entrepreneurs anticipated for the encouragement of initial investments, advisory services and participation at fairs and exhibitions, is in accordance with Article 4, paragraph (3), item d) of the State Aid Act.

(2) State aid to small and medium-sized entrepreneurs may not be granted to entrepreneurs for the activity of shipbuilding and maritime transport.

(3) State aid to small and medium-sized entrepreneurs for the activity of steel production may be granted only for advisory services and for participation at fairs and exhibitions.

Article 22

(1) State aid for initial investments may be granted to:

- small entrepreneurs up to 15% of the justified costs,
- medium-sized entrepreneurs up to 7.5% of the justified costs.

(2) If the investments are made in an area entitled to regional state aid, state aid may be granted up to the amount determined in the map of regional state aid, provided that the investment shall be preserved in the area for at least five years after the finalization of investments and that the beneficiary of state aid contributes with at least 25% of the value of investment from his own means not including state aid.

(3) The amount of state aid shall be calculated on the basis of the justified costs of investment or the justified costs of new work posts, in connection with the investments.

(4) If the amount of state aid is calculated on the basis of the justified costs of new work posts, it is necessary to take into consideration the following:

- the work post has to be connected to the implementation of the project of initial investment and has to be left open for a period of three years after the finalization of the investment,

- the project of investments has to lead to a net increase in the number of workers in the enterprise in comparison to the average during the past 12 months,

- new work posts have to be left open for at least five years.

(5) The justified costs anticipated for small and medium-sized entrepreneurs are:

- the costs of initial investments: material investments (land, buildings and equipment)

and the costs of non-material investments (acquisition of patents, licences, know-how or non-patent technical knowledge);

- the costs of new work posts: the costs of gross salaries for the new work posts connected to the investment for a two-year period.

(6) The justified costs from subparagraph 1, paragraph (5) of this Article shall not be the expenses related to the acquisition of the means or equipment for transport, with the exception of railway coaches.

(7) The justified costs of initial investments and the justified costs of new work posts may be added, but together may not exceed the amount of state aid in accordance with paragraphs (3) and (4) of this Article.

Article 23

(1) State aid for advisory services performed by external advisors, which do not have permanent or periodical character and are not connected to the regular everyday expenses of the entrepreneur, may be granted up to 50% of the justified costs.

(2) The justified costs for advisory services shall be the costs of external advisors.

Article 24

(1) State aid for participation at fairs and exhibitions may be granted for the first attendance at a specific fair or exhibition up to 50% of the justified costs.

(2) The justified costs from paragraph (1) of this Article shall be the additional costs of leasing, erecting and operating the exhibition area.

Article 25

General state aid to small and medium-sized entrepreneurs shall be within the mandate of the ministries competent for crafts, small and medium-sized entrepreneurship, tourism and the economy.

5. EMPLOYMENT

Article 26

(1) State aid for employment anticipated for the opening of new or the preservation of the existing work posts is in accordance with Article 4, paragraph(3),item d) of the State Aid Act.

(2) State aid for employment may not be granted to entrepreneurs for the activities of shipbuilding and maritime transport.

Article 27

(1) State aid for the opening of new work posts may be granted for the employment of persons who have never been employed, are unemployed, or will become unemployed.

(2) State aid for the opening of new work posts in the areas entitled to regional state aid may be granted to all entrepreneurs in the amount determined in the map of regional state aid, provided that the beneficiary of state aid contributes at least 25% of the means from his own sources, not including state aid, and that the work post remains open in the area receiving regional state aid.

(3) State aid for the opening of new work posts in the areas not entitled to regional state aid may be granted only to small and medium-sized entrepreneurs up to the maximum amounts, specifically to:

- small entrepreneurs in the amount up to 15% of the justified costs,

- medium-sized entrepreneurs in the amount up to 7.5% of the justified costs.

(4) The justified costs for the opening of new work posts are the costs of gross salaries for a two-year period. The fulfilment of conditions for the opening of new work posts is established on the basis of data on additional employment in the enterprise, in comparison to the average from the preceding 12 months.

(5) The newly-opened work posts shall be left open at least three years after the receipt of state aid, that is, two years in the case of small and medium-sized entrepreneurs.

Article 28

(1) The entrepreneur may receive state aid to open new work posts for disabled persons or persons with difficulties in finding employment.

(2) The fulfilment of conditions for the opening of new work posts is established by comparison with the average additional employment during the preceding 12 months. The condition for the opening of new work posts does not have to be fulfilled if the existing work post became vacant by voluntary departure, retirement; voluntary shortening of the working hours or dismissal because of incompetence or guilt, except if the existing work post remained vacant as the result of departure of surplus employees from the enterprise.

(3) The intensity of all types of state aid granted for the employment of persons who have difficulties in finding employment or disabled persons may not exceed 50% of the costs of the annual gross salary of persons who have difficulties in finding employment or 60% of the costs of the annual gross salary of disabled persons.

(4) Persons who have difficulties in finding employment and disabled persons have to be employed for at least a year, without interruption, except in the case of dismissal, because of incompetence or guilt.

Article 29

(1) Additional state aid may be granted for the employment of disabled persons, because of their reduced productivity.

(2) The state aid from paragraph (1) of this Article may be granted only for additional costs in comparison to those of the entrepreneur if he were to employ a non-disabled person,

- for the costs of adapting the premises,
- for the costs of employing staff for the time they spend supporting disabled persons,
- for the costs of adjusting or procuring equipment.

(3) The amount of state aid, together with state aid for the employment of disabled persons from Article 28 of this Regulation, may not exceed the amount required to compensate the reduced productivity of the disabled person and the amount of additional costs.

(4) With respect to the employment of disabled persons in enterprises that employ at least 50% of disabled persons of the total number of workers, state aid may be higher, but may not exceed the costs of construction, accommodation or expansion of the enterprise, as well as administrative and transport costs incurred as the result of employment of such persons.

Article 30

(1) State aid for preservation of work posts may be granted if it is anticipated for:

- the remedying of consequences caused by natural disasters, extraordinary circumstances or war,
- the encouragement of development in Area A under the conditions for the award of state aid for current operations from Article 49 of this Regulation.

(2) Except under the conditions from paragraph (1) of this Article, state aid may also be granted if the preservation of work posts is a component part of the program of rehabilitation and restructuring of the entrepreneur in accordance with the rules on rescue and restructuring from Chapter 3 of this Title.

(3) The amount of state aid for the preservation of work posts is determined according to the number of workers employed by the entrepreneur at the time of award of state aid.

Article 31

(1) State aid for the change of employment from definite to indefinite term may be granted in accordance with Article 27 of this Regulation, but only if it has positive impact on employment.

(2) The amount of state aid, from paragraph (1) of this Article, granted to an entrepreneur

at the moment of employment of a worker for a definite term and at the moment of changing the employment from definite to indefinite term may not exceed the allowed intensity of state aid for the opening of new work posts from Article 27 of this Regulation.

(3) The proposal of enactments determining state aid for the change of employment from definite to indefinite term has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

Article 32

(1) State aid for the distribution of work posts to more workers in an enterprise may be granted in accordance with Article 27 of this Regulation, if the change involves a net increase of work posts or employment of persons who have difficulties in finding employment or disabled persons.

(2) If the proposal of enactments determining state aid for the distribution of work posts to more workers in an enterprise does not meet the conditions from paragraph (1) of this Article, the proposal of state aid has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

Article 33

If the employment from Article 27 of this Regulation is connected to investments, the costs of employment may be added to other costs of investment only up to the amount permitted by the rules on regional state aid from Title III of this Regulation or state aid to small and medium-sized entrepreneurs from Chapter 4 of this Title.

Article 34

General state aid for employment shall be within the mandate of the ministry competent for labour and social welfare.

6. PROFESSIONAL IMPROVEMENT

Article 35

(1) State aid for professional improvement anticipated for education in the form of special or general professional improvement of workers, is in accordance with Article 4, paragraph(3), item d) of the State Aid Act.

(2) Special professional improvement from paragraph (1) of this Article is anticipated for the acquisition of theoretical and practical knowledge usable at the present or future work post at the entrepreneur who is the beneficiary of state aid.

(3) General professional improvement from paragraph (1) of this Article is anticipated for the acquisition of general knowledge usable at the present or future work post at the entrepreneur who is the beneficiary of state aid, but also at other entrepreneurs or in other activities and which significantly improves employment prospects of the worker.

Article 36

(1) State aid from Article 35 of this Regulation may be granted in an amount up to 50% of the justified costs in the event of general professional improvement and up to 25% of the justified costs in the event of special professional improvement.

(2) The amounts of state aid from paragraph (1) of this Article may be increased:

- by 10% of the justified costs for the purpose of special professional improvement and by 20% of the justified costs for the purpose of general professional improvement in small and medium-sized entrepreneurs,

- by 10% of the justified costs in Areas A and by 5% of the justified costs in Areas B,

- by 10% of the justified costs if the professional improvement is to be undertaken by persons who have difficulties in finding employment.

(3) The amounts of state aid from paragraph (2) of this Article are added.

Article 37

The justified costs for the purpose of professional improvement from Article 36 of this Regulation are:

- the costs of the instructor,
- travel expenses of the instructor and persons undergoing professional improvement,
- other recurring costs,
- the costs connected to the writing off of machines and equipment in accordance with the scope of their use for the purpose of professional improvement,
- the costs of consulting regarding the professional improvement project,
- the costs of participants in the professional improvement project up to the amount of all justified costs from the preceding subparagraphs.

Article 38

State aid for professional improvement may be granted to entrepreneurs for the activity of maritime transport up to 100% of the justified costs, regardless whether the professional improvement is special or general, provided that the following conditions are met:

- the person undergoing professional improvement is not an active member of the crew,
- the education is carried out at ships entered in the Croatian Ship Register.

Article 39

General state aid for professional improvement shall be within the mandate of the ministry competent for labour and social welfare.

7. CULTURE

Article 40

(1) State aid for incentives to culture and the protection of heritage anticipated for projects, which are important for the development of Croatian culture, is in accordance with Article 4, paragraph (3), item b) of the State Aid Act.

(2) The provider of state aid from paragraph (1) of this Article has to prove that the project is important for the development of Croatian culture.

Article 41

(1) The state aid from Article 40 of this Regulation may be granted as an incentive to the audiovisual industry under the following conditions:

- the content of the production has to be important for the development of Croatian culture,
- the intensity of state aid is limited to 50% of the total costs,
- the holder of the right may spend up to 20% of the budget of the production outside the Republic of Croatia.

(2) If the proposal of enactments determining state aid from paragraph (1) of this Article does not meet the condition from subparagraph 2, item 1 of this Article, the proposal has to be forwarded to the Agency, which in justified cases has the right to decide outside the set limitations in accordance with Articles 11 and 13 of the State Aid Act.

Article 42

General state aid as an incentive to culture and protection of heritage shall be within the mandate of the ministries competent for culture and tourism.

III. SPECIAL RULES FOR REGIONAL STATE AID

Article 43

(1) Regional state aid is granted as an incentive to the development of the less developed

Areas A and Areas B, established in the map of regional state aid.

(2) Regional state aid may be granted to encourage initial investments, and in extraordinary cases, for the compensation of a part of the costs of current transactions of the entrepreneur.

(3) Regional state aid may not be granted to entrepreneurs for the activity of steel production.

Article 44

(1) The state aid from Article 43 of this Regulation for initial material and non-material investments, denominated in the net equivalent of state aid, may be granted:

- in Areas A up to 50% of the justified costs, that is, 40% of the justified costs in the areas where the gross domestic product per capita according to the purchasing power exceeds 60% of the average of the European Union. For small and medium-sized entrepreneurs, the upper limit may be increased by 15% of the justified costs of the gross amount,

- in Areas B up to 20% of the justified costs, that is, 10% of the justified costs in the areas where the gross domestic product per capita according to the purchasing power is higher and the degree of unemployment lower than the average of the European Union. For small and medium-sized entrepreneurs, the upper limit may be increased by 10% of the justified costs of the gross amount.

(2) The upper limit of state support for small and medium-sized entrepreneurs in accordance with paragraph (1) of this Article may not be increased for the activity of transport.

(3) The amount of state aid from paragraph (1) of this Article is calculated on the basis of justified costs of investment or on the basis of expenses connected to the opening of new work posts connected with the investment. If the amount of state aid is calculated on the basis of justified costs of the opening of new work posts, it is necessary to take into consideration the following:

- the work post has to be connected to the implementation of the project of initial investment, that is, the work post has to be opened as a consequence of the increased efficiency of the capacities created by the investment and it has to be open for at least three years after the completion of the investment;

- the project of investment has to result in an increase in the number of workers in the enterprise in comparison to the average number of employees in the preceding twelve months.

Article 45

State aid for non-material investments from Article 44 of this Regulation may be granted under the condition that the means:

- are used exclusively in the entrepreneur who is the beneficiary of state aid,
- are depreciated,
- are acquired at market conditions,
- are shown in the balance sheet of the beneficiary of the state aid for at least five years.

Article 46

(1) The beneficiary of state aid from Article 44 of this Regulation is obligated to contribute at least 25% of the value of the investment from his own means, not including state aid.

(2) The investment and newly-opened work posts have to remain in the area to which the regional state aid was granted for at least five years after the completion of the investment.

Article 47

The proposal of enactments determining state aid anticipated for big investment projects, which are performed within the framework of general regional state aid, has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act, if the projects meet one of the following criteria:

- the total cost of the investment project exceeds 375 million HRK (for the textile industry and the clothing industry the threshold is 112.5 million HRK), the intensity of state aid exceeds 50% of the allowed intensity for regional state aid, and the state aid for the opening and preservation of work posts exceeds 300,000 HRK per work post (for the textile industry and the clothing industry the threshold is 225,000 HRK per work post), or if
- the amount of state aid exceeds 375 million HRK (in the motor vehicle industry and the industry of synthetic fibres 225 million HRK).

Article 48

(1) The justified costs for the purpose of regional state aid from Article 44 of this Regulation are:

- the costs of initial investments: material investments (land, buildings and equipment) and non-material investments (acquisition of patents, licences, know-how or non-patent technical knowledge);
- gross salary costs for the newly-opened work posts which are connected to the investment for the two-year period.

(2) The upper limit of the justified costs of big entrepreneurs for non-material investments, amounts to 25% of the justified costs of material investments from subparagraph 1, paragraph (1) of this Article.

(3) The costs of acquisition of transport equipment in the transport sector are not regarded as justified costs from paragraph (1) of this Article.

(4) The justified costs of initial investments and the justified costs of new work posts may be added, but together may not exceed the amount of state aid determined by Article 44, paragraph (3) of this Regulation.

Article 49

The state aid for current operations of the entrepreneur from Article 43, paragraph (2) of this Regulation, may be granted only in Area A under the following conditions:

- it contributes to regional development,
- it is proportionate to the difficulties which are to be mitigated,
- it is for a definite term and it gradually decreases, and
- it is not intended as an encouragement to export.

Article 50

Regional state aid shall be within the mandate of the ministry competent for the economy.

IV. SPECIAL RULES FOR STATE AID TO SPECIFIC ACTIVITIES

Article 51

State aid to specific activities may be granted in accordance with the rules of Title II and III of this Regulation, unless regulated otherwise by the rules from Article 2 of this Regulation and the rules of this Title.

1. ACTIVITY OF STEEL PRODUCTION

Article 52

The rules for steel products included in Protocol 2 of the Stabilization and Association Agreement between the Republic of Croatia and the European Communities and their

Member States apply to state aid for steel production.

Article 53

(1) State aid for steel production may be granted for research and development, environmental protection, employment and professional improvement in accordance with the rules for horizontal state aid from Title II of this Regulation.

(2) State aid for steel production may be granted to small and medium-sized entrepreneurs from Chapter 4, Title II of this Regulation, only for advisory services and for participation at fairs and exhibitions.

(3) State aid for rehabilitation and restructuring from Chapter 3, Title II of this Regulation and regional state aid from Title III of this Regulation may not be granted for the activity of steel production.

Article 54

Apart from state aid from Article 53 of this Regulation, the following state aid may be granted to entrepreneurs for the activity of steel production:

- state aid for employee redundancy programs and early retirement, up to 50% of the incurred costs, provided that it concerns partial or complete closure of the enterprise for steel production, and the entrepreneur has still not received state aid for the purpose,

- state aid for permanent termination of steel production by entrepreneurs formed before 1 January 2002, provided that the entrepreneur has not re-organized the production or the enterprise after 1 January 2002, that he will terminate the production within six months after the receipt of state aid, that he has still not received state aid, and that the state aid does not exceed the remaining book-keeping value of the property of the enterprise being closed,

- state aid to an entrepreneur for steel production meeting the conditions from subparagraph (2) of this Article, but who is directly or indirectly supervised or directly or indirectly personally supervises the entrepreneur for steel production under the following conditions: the entrepreneur being closed has been actually and legally separated from the associated entrepreneur for at least six months before receiving state aid, and the financial statements of the entrepreneur being closed have been revised separately, the decrease of production capacities has to be true and provable, and it has to influence the overall level of the steel industry for five years after closure, that is, after the last receipt of state aid for such purpose.

Article 55

General state aid for steel production shall be within the mandate of the ministry competent for the economy.

2. ACTIVITY OF INLAND TRANSPORT

Article 56

The rules on state aid to inland transport relate to entrepreneurs who perform the services in railway and road transport or transport by inland waterways, and include the rules of Protocol 6 of the Stabilization and Association Agreement between the Republic of Croatia and the European Communities and their Member States.

Article 57

State aid to inland transport may be granted in accordance with the rules on horizontal state aid from Title II of this Regulation and regional state aid from Chapter III of this Regulation.

Article 58

Apart from the state aid from Article 57 of this Regulation, state aid to entrepreneurs for the activity of inland transport may be granted:

- as compensation for expenses related to the performance of mandatory public service

up to the amount equal to the difference between the decreased financial burden and the decrease in the revenues of the entrepreneur that would be incurred by the entrepreneur if the obligation of the entrepreneur were fully or partially terminated;

- as compensation for expenses related to infrastructure to entrepreneurs who have the obligation to cover the costs of infrastructure used also by other entrepreneurs who do not have that obligation;

- for research and development of the efficiency of transport systems and technology;

- for removing surplus capacity causing serious structural problems;

- as compensation for additional financial burdens of entrepreneurs in railway transport.

Article 59

General state aid to inland transport shall be within the mandate of the ministry competent for transport.

3. ACTIVITY OF MARITIME TRANSPORT

Article 60

The rules on state aid in maritime transport are applied to entrepreneur shipowners and entrepreneurs performing transport by sea.

Article 61

(1) State aid for environmental protection, research and development, professional improvement, rehabilitation and restructuring and regional goals in maritime transport, may be granted in accordance with the rules for horizontal state aid from Title II of this Regulation and regional state aid from Title III of this Regulation.

(2) State aid to small and medium-sized entrepreneurs from Chapter 4, Title II of this Regulation and state aid for employment from Chapter 5, Title II of this Regulation may not be granted to entrepreneurs from Article 60 of this Regulation.

Article 62

(1) Apart from state aid from Article 61 of this Regulation, entrepreneurs from Article 60 of this Regulation may be granted state aid for ships entered in the Croatian Ship Register:

- for pension, disability and health insurance of seamen employed on ships registered in the Republic of Croatia, except state aid to net salary of seamen;

- for the costs of return of seamen who work on ships registered in the Republic of Croatia to their homeland, up to 50% of the total costs;

- for investments in new vessels in accordance with the rules on construction of ships and the policy of security at sea, which includes the granting of state aid for the improvement of equipment on vessels entered in the Croatian Ship Register, or as an incentive to the use of safe and clean ships with the purpose of giving an incentive to the adaptation of ships to reach the standards exceeding the standards on the protection and environment prescribed by the international conventions

- for the performance of mandatory public service.

(2) Apart from the state aid from paragraph (1) of this Article, entrepreneurs from Article 60 of this Regulation may be granted state aid to encourage the repatriation of the strategic and commercial management of ships not entered in the Croatian Ship Register.

(3) The state aid from Subparagraphs 1 to 3 of Paragraph (1) and the state aid from Paragraph (2) of this Article may be granted only up to the amount not exceeding the total amount of taxes and pension, disability and health contributions for the activity of maritime transport.

Article 63

General state aid in maritime transport shall be within the mandate of the ministry competent for transport.

4. ACTIVITY OF AIR TRANSPORT

Article 64

(1) The rules on state aid in air transport are applied to air carriers and to activities that may be useful to air carriers and which are connected to air transport, such as flying schools, trade in duty free zones, air capacities, franchising and air fees.

(2) The rules for air transport from Paragraph (1) of this Article are not applicable to the activity of production of airplanes.

Article 65

(1) State aid for environmental protection, research and development, small and medium-sized entrepreneurs, employment and professional improvement in air transport may be granted in accordance with the rules on horizontal state aid from Title II of this Regulation.

(2) State aid for restructuring of entrepreneurs in air transport may be granted in accordance with the rules for horizontal state aid from Title II of this Regulation, taking into consideration the following conditions:

- state aid is granted only once, except in extraordinary unpredictable circumstances which were beyond the control of the entrepreneur,
- state aid may not cause capacity increase,
- at the time of implementation of the restructuring plan, the entrepreneur may not acquire shares in other air transporters.

(3) State aid for rehabilitation of entrepreneurs in air transport may be granted in accordance with the rules for horizontal state aid from Title II of this Regulation only for the preparation of an overall restructuring program.

(4) The proposal of enactments determining state aid for the rehabilitation and restructuring of an entrepreneur from paragraphs (2) and (3) of this Article has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

(5) Regional state aid to entrepreneurs in air transport may be granted in accordance with the rules for regional state aid from Title III of this Regulation, with the exception of state aid for current operations, except direct subsidizing of air routes through state aid for current business transactions, under the following conditions:

- state aid represents compensation for the obligations of performing a public service,
- state aid represents state aid of social nature intended for certain categories of passengers, if granted regardless of the origin of the service.

Article 66

General state aid for air transport shall be within the mandate of the ministry competent for transport.

5. ACTIVITY OF SHIPBUILDING

Article 67

(1) The rules on state aid to shipbuilding are applicable to entrepreneurs performing the activity of construction, repair and adaptation of vessels, that is, who are directly or indirectly connected to the mentioned entrepreneurs.

(2) For the purposes of paragraph (1) of this Article, vessels means:

- vessels with at least 100 gross registered tons, used for transporting passengers and/or goods,
- vessels with at least 100 gross registered tons, used for the performance of specialized services,
- barges with the power of at least 365 kW,
- fishing vessels with at least 100 gross registered tons,

- unfinished vessels from Subparagraph 1 to 4 of this Paragraph which can sail.

Article 68

(1) State aid for environmental protection and research and development in shipbuilding may be granted in accordance with the rules for horizontal state aid from Title II of this Regulation.

(2) State aid to small and medium-sized entrepreneurs for employment and professional improvement from Title II of this Regulation may not be granted for the activity of shipbuilding.

(3) State aid for rehabilitation and restructuring of entrepreneurs in shipbuilding may be granted in accordance with the rules for horizontal state aid from Title II of this Regulation under the following conditions:

- the beneficiary of state aid is using the state aid for restructuring for the first time,
- the state aid is granted only once, which also applies to all legal successors of the beneficiary of state aid,
- the restructuring causes final and irrevocable decrease of the capacity of shipbuilding,
- the closed shipbuilding capacities were regularly used for the performance of the activity of shipbuilding,
- the shipbuilding capacities will remain closed for at least ten years from the day of granting of the state aid, and if they are used for other activities, the new activity may not be related to shipbuilding.

(4) Regional state aid to shipbuilding may be granted in accordance with the rules on regional state aid from Title III of this Regulation, only for investments in additional construction or modernization of the existing enterprises for the purpose of improving the exploitability of the existing equipment and machines.

(5) The intensity of state aid from paragraph (4) of this Article amounts to:

- in Areas A, up to 22.5% of the justified investment costs,
- in Areas B, a lower intensity of state aid between the upper limit of 12.5% of the justified costs of investment or the applicable upper limit of regional state aid.

(6) Regional state aid for the opening of new work posts connected to investments and state aid for current operations from Title III of this Regulation may not be granted for the activity of shipbuilding.

Article 69

(1) Apart from state aid from Article 68 of this Regulation, entrepreneurs may be granted state aid for closing the existing capacities in shipbuilding and for investments in innovations in shipbuilding.

(2) State aid for closing the capacities from paragraph (1) of this Article may be granted, provided that with the state aid, the capacities would decrease finally and irrevocably.

(3) The justified costs for which the state aid from paragraph (2) of this Article is possible are:

- compensation for redundant workers or compensation for early retirement,
- costs of advisory services intended for worker redundancy programs or early retirement,
- compensation for re-qualification of workers,
- expenses of changing the purpose of the shipyard (buildings, equipment and other infrastructure) for the development of an activity not being construction, preparation and conversion of the vessel.

(4) The state aid from paragraph (2) may be granted for the complete closure of the capacities up to the amount of the book-keeping value of the equipment or the discounted value of the depreciation of the equipment for the next three-year period.

(5) The capacities from Paragraph (4) of this Article have to remain closed for at least ten

years.

(6) State aid for investments in innovations in shipbuilding from Paragraph (1) of this Article may be granted provided that it relates to the industrial use of innovative products and procedures not used to date in the activity of shipbuilding and having industrial and technological risk.

(7) The state aid from paragraph (6) of this Article may be granted up to 10% of the justified costs, taking into consideration the levels of risk connected to the project.

(8) The justified costs from paragraph (7) of this Article are the costs of investment and engineering activities directly and exclusively connected to the innovative aspect of the project.

Article 70

The proposal of enactments determining state aid from Articles 68 and 69 of this Regulation has to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

Article 71

General state aid for shipbuilding shall be within the mandate of the ministry competent for the economy.

V. SPECIAL RULES FOR SPECIFIC FORMS OF STATE AID

1. PUBLIC INVESTMENTS

Article 72

(1) A new public investment in an entrepreneur under the conditions that would be acceptable to a private investor under normal market conditions shall not represent state aid.

(2) The ministry competent for finances shall inform the Agency once a year about the shares in the basic capital of entrepreneurs meeting one of the following conditions:

- the balance of the entrepreneur is more than 30 million HRK, or
- the annual turnover of the entrepreneur is more than 60 million HRK, or
- the entrepreneur employs more than 250 persons.

(3) Partial or full acquisition of a share in the basic capital of an existing entrepreneur, without new investments, shall not represent state aid to the entrepreneur.

2. FINANCIAL TRANSFERS TO PUBLICLY OWNED ENTREPRENEURS

Article 73

(1) A publicly owned entrepreneur is any entrepreneur under the direct or indirect dominating influence of the Republic of Croatia, a unit of local or regional self-government on the basis of ownership shares, financial co-operation or internal regulations of the entrepreneur.

(2) The state authorities and the bodies of local and regional self-government shall gather and keep data on the financial transfers (current and investment transfers) of public means to publicly owned enterprises in a manner that transparently shows the purpose of the public means spent in such manner. The gathered data shall be available to the Agency for five years following the end of the year in which the means were spent.

(3) The state authorities and the bodies of local and regional self-government competent for the activity of the publicly owned entrepreneur who has an annual turnover of at least 50% out of the production activity or whose annual turnover amounts to more than 1.875 billion HRK, shall forward the annual business report of the publicly owned entrepreneur to the Agency within fifteen days from the date of its publication. Apart from the annual accounting statements, the report shall include all necessary information clearly showing the purpose for which the public means from possible financial transfers by the state authorities and the bodies of local and regional self-government shall be used.

- (4) The provisions of this Article shall apply to:
- financial transfers of the Croatian National Bank,
 - financial transfers to publicly owned entrepreneurs whose total turnover in the two years before the acquisition of public means amounts to at least 300 million HRK,
 - financial transfers to publicly owned credit institutions whose balance value does not exceed 6 billion HRK,
 - financial transfers in the form of deposits with banks performed under ordinary market conditions.

3. STATE GUARANTEES

Article 74

(1) As a rule, the state guarantee does not represent state aid to the beneficiary of a loan, provider and/or receiver of a loan or financial means, if the following conditions are met:

- the beneficiary of the loan is not in financial difficulties,
- the beneficiary of the loan may get a loan on the financial market at the market conditions without mediation from the state,
- the state guarantee is connected to a specific financial transaction, limited by the amount and duration,
- the state guarantee does not cover more than 80% of a specific financial obligation,
- the market price is charged for the state guarantee.

(2) The proposal of a state guarantee not meeting the conditions from Paragraph (1) of this Article is to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

4. ALIENATION OF PUBLICLY OWNED REAL ESTATE

Article 75

(1) For the purposes of this Regulation, publicly owned enterprise are real estate according to the Ownership and Other Proprietary Rights Act (Official Gazette No. 98/96, 68/98, 137/99, 22/2000 and 73/2000), owned by the Republic of Croatia and the units of local and regional self-government.

(2) The alienation of publicly owned real estate does not represent state aid, if the real-estate is alienated by:

- public tender, which is open and unconditional, and if the best or the only tender was accepted, or
- without public tender, but at the market value on the basis of a previous valuation by an independent evaluator.

(3) The proposal of alienation of publicly owned real estate not meeting the conditions from Paragraph (2) of this Article is to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

5. EXPORT CREDIT SECURITY

Article 76

(1) State aid for export credit security may be granted as security against non-market risks.

(2) The proposal of enactments determining state aid for export credit security from paragraph (1) of this Article, is to be forwarded to the Agency in accordance with Articles 11 and 13 of the State Aid Act.

6. RISK CAPITAL

Article 77

(1) For the purposes of this Regulation, risk capital is a public acquisition of ownership shares in an entrepreneur representing initial investments of the state, the units of local or regional self-government in the entrepreneur.

(2) State aid for risk capital may be granted if intended for remedying market imperfections in the risk capital market.

(3) Beneficiaries of state aid for risk capital may be institutional or individual investors, beneficiaries of general state aid for risk capital or entrepreneurs from paragraph (1) of this Article.

(4) State aid from paragraph (2) of this Article may not be granted to entrepreneurs performing the activity of steel production and shipbuilding.

Article 78

In applying Article 13 of the State Aid Act to the proposal of enactments determining state aid for risk capital, the Agency takes into account especially the following:

- limitations of investments in small and/or medium-sized entrepreneurs on the rise or in other initial phases, if the entrepreneurs come from Areas A or Areas B,
- directing investments for securing profit and securing the implementation of entrepreneurial plans,
- degree of undermining of market competition amongst investors,
- securing a clear mechanism for the withdrawal of public ownership from the participation in the basic capital of an individual entrepreneur,
- the existence of limitations on the accumulation of different types of state aid to an individual entrepreneur.

VI. PROCEDURE FOR GIVING OPINIONS ON PROPOSALS OF ENACTMENTS DETERMINING GENERAL STATE AID, AND THE CONTENT, PROCEDURES AND TERMS OF DELIVERY OF PROPOSALS OF ENACTMENTS DETERMINING GENERAL STATE AID

1. PROCEDURE FOR GIVING OPINIONS ON PROPOSALS OF ENACTMENTS DETERMINING GENERAL STATE AID

Article 79

(1) The procedure for giving opinions on proposals of enactments determining general state aid from Article 8, paragraph (1) of the State Aid Act, shall be governed by the provisions of the General Administrative Procedure Act (Official Gazette No. 53/91 and 103/96), unless prescribed otherwise by the Budget Act (Official Gazette No. 96/2003) and this Regulation.

(2) The ministries and other bodies of state administration, before sending legal and other proposals including a proposal of enactments determining general state aid to the Government of the Republic of Croatia, shall be obligated to forward the proposal of enactments determining general state aid to the Agency for a preliminary opinion.

(3) The opinion of the Agency from Paragraph (2) of this Article shall be forwarded to the Government of the Republic of Croatia with a legal or other proposal including the proposal of enactments determining general state aid.

(4) The proposals of deeds from paragraph (2) of this Article, forwarded for a procedure to the Government of the Republic of Croatia without a positive opinion of the Agency, shall be returned to the proposing party for further elaboration.

2. CONTENT, PROCEDURE AND TERMS OF DELIVERY OF ENACTMENT PROPOSALS DETERMINING STATE AID

Article 80

(1) The enactment proposals determining state aid consist of the registration of the proposal of enactments determining state aid and an explanation.

(2) The registration of the proposal from paragraph (1) of this Article shall include information on the provider of state aid, the beneficiary of state aid, legal grounds, the terms of award and the duration of state aid, the planned amount of state aid classified according to the levels of award, purposes, types and forms of state aid, and on the total gross and net amounts of state aid.

(3) The explanation from paragraph (1) of this Article shall include an evaluation of the situation and the basic issues that need to be regulated by state aid, the consequences that may arise out of the approval and the award of state aid and an evaluation and the sources of the means required for the implementation of state aid.

(4) Next to the proposal of enactments determining state aid from paragraph (1) of this Article, the proposing party may forward other adequate documentation, especially expert opinions, accepted international agreements and other deeds serving as an explanation of his proposal.

(5) The providers of state aid shall forward the proposal of enactments determining state aid from paragraph (1) of this Article in written and electronic form.

(6) The Agency shall regulate the content of forms for the delivery of proposals of enactments determining state aid from paragraph (1) of this Article.

Article 81

(1) The provider of state aid shall forward to the Agency, by 15 June of the current year, the proposal of enactments determining state aid that he intends to include in the proposal of the state budget, the budget of the units of local and regional self-government or of the financial plan of an extra-budgetary beneficiary of the budget.

(2) Authorities competent for the preparation of drafts of budgets and consolidated budgets of the state and the units of local and regional self-government on the basis of the Budget Act, shall not include the proposal of enactments determining state aid from Paragraph (1) of this Article in the draft of the budget and the consolidated budget, if it does not include the approval of the Agency.

Article 82

(1) For the purpose of subsequent approval of state aid in accordance with Article 15 of the State Aid Act, the providers of state aid shall be obliged to forward to the Agency information about the provider of state aid, the beneficiary of state aid, legal grounds, the terms of award and the duration of state aid, the explanation in accordance with paragraphs (3) and (4) of Article 80 of this Regulation, justified objective reasons from paragraph (1) of Article 15 of the State Aid Act, the awarded amount of state aid classified according to the levels of award, purposes, types and forms of state aid, and the total gross and net amounts of the granted state aid.

(2) The providers of state aid shall forward the information from paragraph (1) of this Article to the Agency in written and electronic form.

(3) The Agency shall regulate the content of forms for the delivery of the information from paragraph (1) of this Article.

Article 83

In accordance with Article 16 of the State Aid Act, the Agency shall regulate the list of levels, purposes, types and forms of state aid from Article 80, paragraph (2) and Article 82, paragraph (1) of this Regulation.

Article 84

(1) The providers of state aid shall be obligated to forward to the Agency at least once a year, by 15 August of the current year, the information from Article 82 of this Regulation for all state aid granted during the preceding year.

(2) The providers of state aid in charge of general state aid in accordance with this Regulation, but who have not granted state aid, shall forward to the Agency a written statement about the matter within the time limit from paragraph (1) of this Article.

VII. TRANSITIONAL AND FINAL PROVISIONS

Article 85

During the four years after entry into force of the Stabilisation and Association Agreement between the Republic of Croatia and the European Communities and their Member States for the purpose of application of the provisions of this Regulation, the entire territory of the Republic of Croatia shall be regarded as Area A.

Article 86

This Regulation shall enter into force on the eighth day following its publication in the Official Gazette.

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Done at Zagreb, 24 July 2003

Deputy Prime Minister
Sc. D. Goran Granic