



WP/08/165

IMF Working Paper

Reforming Government Subsidies in the New Member States of the European Union

*Carlos Mulas-Granados, Taline Koranchelian,
and Alex Segura-Ubiergo*

IMF Working Paper

Fiscal Affairs Department

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Prepared by Carlos Mulas-Granados, Taline Koranchelian, and Alex Segura-Ubiergo*

Authorized for distribution by Rolando Ossowski and Gerd Schwartz

July 2008

Abstract

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Subsidy reform has been a key component of the pre-accession reform agenda of the 10 new member states that joined the EU in 2004 (EU-10). During the pre-accession period, these countries had to undertake a number of important structural reforms in their economies. One of the most critical reforms was to reduce, and in some cases, eliminate their subsidy programs. This paper analyzes how key subsidy reforms (in state aid to enterprises, agriculture, energy, and transportation) were carried out in the EU-10 during 1995–2005, and explains observed variations across types of subsidies and across countries. Based on an extensive qualitative analysis, the paper draws lessons for future successful reforms of government subsidies.

32B

JEL Classification Numbers: H2; H21; H23; H4.

Keywords: European Union, new member states, subsidy reform, state aid to enterprises, agricultural subsidies, energy subsidies, and transportation subsidies

Authors' E-Mail Addresses: cmulasgranados@ccee.ucm.es; tkoranchelian@imf.org; aseguraubiergo@imf.org

*Carlos Mulas-Granados is a tenured professor at the Applied Economics Department, Complutense University, Madrid, and was a visiting scholar in the IMF's Fiscal Affairs Department (FAD) in the summer of 2006. Taline Koranchelian is a senior economist in FAD. Alex Segura-Ubiergo was an economist in FAD when the work on this paper started, and is now with the IMF's African Department. The usual disclaimer applies.

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