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## Article

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## State Aid In The European Union In The Period Of The Economic Crisis

### Abstract

*The global economic crisis has brought about the need for States' involvement to rescue many business entities from bankruptcy, initially in the financial sector, and at a later stage of the crisis in the real economy. In the countries of the European Union, these measures take the form of state aid, which is specifically regulated as it bestows benefits on its beneficiaries and therefore violates the rules of market competition. Thus, the provision of state aid is controversial, since it potentially adversely affects the competition policy pursued in the EU. This paper aims to analyse and evaluate the volume of state aid granted in the EU countries during the economic crisis and its potential impact on the health of the economy and the public finance sector.*

**Keywords:** *state aid, economic crisis, crisis and non-crisis aid, financial sector, real economy*

### 1. Introduction

In general, economists are not in agreement as to what the role of the State in the economy should be. The scope of State intervention in economic processes has been the subject of disputes for years. It is difficult, however, to

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question the issue of unreliability of the (imperfect) market - and thus the resulting need for State support for free market mechanisms - nor the State's ability to influence the decisions of business entities. In addition, the increasing competition in international markets necessitates an active role of the State as the initiator of desired changes in the economy. Appropriately targeted aid can play a major role in this area. Its mission is to help business entities overcome barriers and, consequently, stimulate an increase in their competitiveness on both the domestic and international markets.

In accordance with paragraph 1 of Article 107 of the Treaty on the Functioning of the European Union (TFEU) (formerly paragraph 1, Article 87 of the Treaty Establishing the European Community) state aid is that aid granted by a Member State, or through a State resources in any form whatsoever, which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods in so far as it affects trade between Member States.<sup>1</sup> State aid, therefore, can be defined as the expenditure of public funds or depletion of public contributions to support undertakings or the production of certain goods which constitute an economic advantage for the beneficiary. State aid occurs when the following conditions are met simultaneously:

- it is granted by the State or from State resources,
- it is provided on terms more favourable than those offered on the market,
- it is selective (favouring a particular undertaking or undertakings or the production of certain goods),
- it threatens to disrupt or distorts competition and affects trade between the EU Member States.

Granting state aid in the EU is incompatible with the common market rules. The principle of incompatibility, however, does not amount to a complete ban. There are cases (called exclusions) in which state aid can be declared compatible with the common market. These exceptions are catalogued in the provisions of Article 107, paragraphs 2 and 3 of the TFEU. The need to provide aid to companies arises from a number of premises. From the perspective of stimulating economic competitiveness, aid for research and development, which is mainly motivated by the need to improve the innovativeness of business entities, is especially important. State aid may also be conditioned by rapid technological changes which represent a real threat to certain industries. In these cases, state aid is an element that supports their adaptation and does not necessarily violate market rules. Environment protection is another factor that induces the granting of state aid for undertakings. In addition, state aid is a quite

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<sup>1</sup> Treaty on the Functioning of the European Union (Official Journal of the EU, C 83/47, 30.03.2010).

common phenomenon to help cultural institutions, and provide aid for the development of transport infrastructure and agriculture. It is also important to help small and medium-sized enterprises due to the significant role of these companies in the creation of new jobs.

This paper aims to analyse and evaluate the volume and forms of state aid granted in the Member States of the European Union in the period 2006-2012, with particular emphasis on the so-called 'crisis aid'.

## 2. 'Non-crisis' state aid in the EU countries

The data presented in Table 1 shows that in the analysed period (2006-2011) the amount of state aid granted in the 27 EU Member States became generally reduced; the volume of granted aid reached 92,627.1 million Euro in 2006, while in 2011 it amounted to only 64,295.0 million Euro.<sup>2</sup> Analysing the data for each country, it should be noted however that in some of these countries the volume of state aid increased significantly during the studied period. That was the case, for example, with Greece, Cyprus, Lithuania and Slovenia. In Poland, the level of state aid increased significantly in 2008 (to the level of 3,097.3 million Euro), which in part was due to methodological reasons (since 2008 state aid also includes aid resources from the Structural Funds in the framework of the Financial Perspective 2007 – 2013). The increase was also the result of the granting in 2008 of aid which in previous years was not provided (or was not included in the statistics). This includes aid for bio-fuels, and aid to energy producers in the form of compensation for the voluntary termination of long-term power and electricity sales, granted by the President of the Energy Regulatory Office, as well as aid to entities operating in the film industry (Woźniak 2010, p. 152).

Similar conclusions can be drawn by analysing the volume of aid in relation to the size of each country's GDP (Table 2). On average, aid in the EU countries decreased over the studied period from 0.75 % of GDP in 2006 to 0.51 % of GDP in 2011. The Czech Republic, Estonia, Ireland, Greece, Cyprus, Lithuania, Holland, Portugal and Slovenia were the exceptions from this general rule during the analysed period. It should be also mentioned that in 2011 several countries (Greece, Hungary, Malta, Portugal, Slovenia and Finland) exceeded the scope of aid permitted in the Member States by the European Commission (1% of GDP) (Piotrowski 2012, pp. 39-41).

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<sup>2</sup> It should be noted that the data contained in Table 1 does not include crisis aid.

**Table 1. Non-crisis state aid in the EU Member States (excluding transport) in million Euro in the years 2006-2011**

	2006	2007	2008	2009	2010	2011
<b>EU 27</b>	<b>92627.1</b>	<b>66719.0</b>	<b>73918.4</b>	<b>75831.6</b>	<b>71326.4</b>	<b>64295.0</b>
<b>Belgium</b>	1388.0	1555.2	1630.6	2267.5	2305.5	1594.4
<b>Bulgaria</b>	41.8	230.6	223.9	189.4	33.8	37.0
<b>Czech Rep.</b>	1060.9	1145.9	1439.4	1032.3	1236.6	1424.4
<b>Denmark</b>	1839.2	1932.3	1921.6	2296.9	1006.3	1093.4
<b>Germany</b>	18878.3	15262.9	16581.0	15985.2	15201.5	13621.4
<b>Estonia</b>	41.7	40.2	44.4	42.7	43.9	51.3
<b>Ireland</b>	900.5	1143.7	1996.2	1500.4	1649.8	1061.5
<b>Greece</b>	1016.9	1224.3	1825.1	2226.8	1988.2	2593.2
<b>Spain</b>	5195.5	5103.5	5655.0	5506.1	4900.2	4531.8
<b>France</b>	32763.1	10089.6	13190.0	14321.2	14751.7	12356.7
<b>Italy</b>	7255.8	5941.0	6049.5	5817.4	4235.4	3806.6
<b>Cyprus</b>	94.2	123.4	115.7	179.5	121.1	140.9
<b>Latvia</b>	285.6	519.7	134.1	138.0	187.5	184.9
<b>Lithuania</b>	155.5	198.5	147.2	179.2	167.3	209.8
<b>Luxembourg</b>	94.4	84.4	80.4	125.9	101.9	102.9
<b>Hungary</b>	1565.7	1376.4	2197.3	1630.4	1948.2	1120.5
<b>Malta</b>	163.1	143.9	124.2	116.2	87.3	102.7
<b>Holland</b>	2187.7	2283.8	2431.2	2653.6	2744.2	2673.2
<b>Austria</b>	2210.3	1296.6	1644.8	2373.7	2022.2	1707.3
<b>Poland</b>	<b>2517.1</b>	<b>1918.5</b>	<b>3097.3</b>	<b>3216.0</b>	<b>3324.9</b>	<b>2823.0</b>
<b>Portugal</b>	1534.8	2245.9	1631.0	1671.4	1531.4	1765.7
<b>Romania</b>	851.1	1607.3	907.7	885.6	308.5	546.0
<b>Slovenia</b>	251.2	207.0	252.3	365.0	367.0	396.3
<b>Slovakia</b>	351.2	319.2	387.0	326.0	307.8	170.7
<b>Finland</b>	2354.7	2230.7	2170.9	2180.8	2134.9	2343.7
<b>Sweden</b>	3555.4	3490.3	3320.2	3151.1	3069.2	3023.3
<b>UK</b>	4073.3	5004.2	4720.3	5453.2	5550.1	4812.5

Source: Author's own compilations based on State Aid Scoreboard. Report on State aid granted by the EU Member States, Autumn 2012 update, [http://ec.europa.eu/competition/state\\_aid/studies\\_reports/expenditure](http://ec.europa.eu/competition/state_aid/studies_reports/expenditure).

**Table 2. Non-crisis state aid in industry and services (excl. transport) in the EU Member States as % of GDP in the years 2006-2011**

	2006	2007	2008	2009	2010	2011
<b>EU 27</b>	<b>0.75</b>	<b>0.53</b>	<b>0.58</b>	<b>0.52</b>	<b>0.57</b>	<b>0.51</b>
<b>Belgium</b>	0.40	0.43	0.45	0.64	0.64	0.43
<b>Bulgaria</b>	0.12	0.61	0.56	0.50	0.09	0.10
<b>Czech Rep.</b>	0.74	0.76	0.92	0.70	0.81	0.92
<b>Denmark</b>	0.74	0.77	0.77	0.98	0.42	0.46
<b>Germany</b>	0.78	0.61	0.65	0.66	0.61	0.53
<b>Estonia</b>	0.26	0.23	0.26	0.29	0.30	0.32
<b>Ireland</b>	0.55	0.66	1.19	0.96	1.06	0.68
<b>Greece</b>	0.42	0.49	0.74	0.93	0.86	1.21
<b>Spain</b>	0.49	0.46	0.51	0.52	0.46	0.42
<b>France</b>	1.69	0.51	0.66	0.74	0.75	0.62
<b>Italy</b>	0.45	0.36	0.37	0.38	0.27	0.24
<b>Cyprus</b>	0.59	0.72	0.65	1.03	0.69	0.79
<b>Latvia</b>	1.31	2.17	0.58	0.72	0.99	0.92
<b>Lithuania</b>	0.52	0.61	0.44	0.63	0.58	0.68
<b>Luxembourg</b>	0.23	0.20	0.19	0.31	0.24	0.24
<b>Hungary</b>	1.51	1.33	2.10	1.67	1.97	1.11
<b>Malta</b>	2.81	2.38	1.97	1.89	1.39	1.60
<b>Holland</b>	0.38	0.38	0.40	0.45	0.46	0.44
<b>Austria</b>	0.78	0.44	0.55	0.83	0.69	0.57
<b>Poland</b>	<b>0.84</b>	<b>0.60</b>	<b>0.92</b>	<b>0.94</b>	<b>0.94</b>	<b>0.76</b>
<b>Portugal</b>	0.89	1.27	0.92	0.98	0.88	1.03
<b>Romania</b>	0.67	1.19	0.63	0.65	0.23	0.40
<b>Slovenia</b>	0.73	0.56	0.66	1.04	1.03	1.11
<b>Slovakia</b>	0.49	0.45	0.55	0.51	0.46	0.25
<b>Finland</b>	1.28	1.15	1.11	1.22	1.16	1.24
<b>Sweden</b>	0.99	0.94	0.90	0.90	0.82	0.78
<b>UK</b>	0.24	0.28	0.27	0.32	0.32	0.27

Source: Author's own compilations based on State Aid Scoreboard. Report on State aid granted by the EU Member States, Autumn 2012 update, [http://ec.europa.eu/competition/state\\_aid/studies\\_reports/expenditure](http://ec.europa.eu/competition/state_aid/studies_reports/expenditure).

### 3. State aid in the EU during the period of the financial crisis

#### Aid for the financial sector

The financial and economic crisis, the first signs of which began to be experienced by the global economy in 2007, resulted in the need for involvement of the EU governments via large amounts of money to combat its negative effects, especially in the banking sector. As a result, the level of state aid in the EU in 2008 compared to 2007 increased nearly fivefold, to 279.6 billion Euro, and constituted 2.2% of the EU's GDP. This was only because of the aid provided by the Member States to financial institutions. For comparison, in 2007 the volume of state aid amounted to 66.5 billion Euro, or 0.52% of the EU's GDP. Excluding the crisis state aid, the total volume of state aid in 2008 amounted to 67.4 billion Euro, which constituted 0.54% of the EU's GDP. The highest share of state aid in relation to GDP in 2008, taking into account the measures taken with respect to the financial crisis, was recorded in Ireland (20.2%), Luxembourg (7.83%), Belgium (5.63%), Latvia (5.05%) and the UK (4%). The lowest share of state aid to GDP was observed in Italy (0.35%), Greece (0.42%), Austria (0.46%), Slovakia (0.53%) and Spain (0.56%) (Korbutowicz 2011, p. 67).

The deteriorating economic situation prompted the EU authorities to take concrete measures, formulated in 2008 by the European Commission in the Communication "The application of state aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis".<sup>3</sup> According to the provisions adopted, the EU countries could provide guarantees to financial institutions, recapitalise them, or institute an orderly winding up of certain financial institutions. The duration and scope of guarantees were to be limited to a necessary minimum, and the guarantee programme was to be based on the appropriate remuneration paid by the financial institution which was to benefit from the programme. At the same time, beneficiaries could not conduct aggressive expansion and had limited freedom in the conduct of trade policy (e.g. prohibition of advertising that referred to the awarded guarantees). The guarantees were treated as an extraordinary, transitional instrument and were to be accompanied by the restructuring or liquidation of the given entities-beneficiaries. The data presented in Table 2 allows us to conclude that, from 1 October 2008 to 1 October 2012, the total volume of guarantees accorded to the EU countries amounted to 3,646.6 billion Euro (28.9% of the EU's GDP). In terms of value, the guarantees that were used (in the period 2008-2011) equalled 1,084.8 billion Euro (8.62% of the EU's GDP). The following countries used the aid granted to the highest extent: Ireland (284 billion Euro), the UK (158.2 billion Euro), Denmark (145 billion Euro) and Germany (135.89 billion

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<sup>3</sup> Official Journal of the EU, C 270 of 25.10.2008, p. 8.

Euro). Analysing the percentage values (% of GDP), the largest beneficiary of the aid was Ireland (181.7% of GDP), then Denmark (60.6 %) and Greece (26 %).

The European Commission also permits the use of instruments other than guarantees to support the liquidity of banks (e.g. in the form of loans to the banking sector). The total volume of aid for improving the liquidity of banks in the analysed period amounted to 216 billion Euro (1.7% of the EU's GDP). Four countries: Holland (52.9 billion Euro), the UK (51.9 billion), Spain (50.8 billion) and Ireland (40 billion) received approximately 85% of the total allocated aid. In terms of percentage, the highest share of aid was allocated to Ireland (26% of GDP) and Latvia (13.5% of GDP). In analysing the degree of utilisation of the aid, it should be noted that in the period 2008-2011 the amount of aid used reached 89 billion Euro (0.7% of GDP). In absolute terms, Holland (30.4 billion Euro), Spain (19.3 billion) and the UK (18.5 billion) were the countries that used the aid granted to the highest degree. In terms of size relative to GDP, the following countries used the largest amount of aid: Denmark (5% of GDP), Latvia (4.9% of GDP) and Greece (3.2% of GDP).

As for recapitalisation, it should be based on objective and non-discriminatory qualification criteria, limited to a necessary minimum, and equipped with a protection mechanism against potential fraud or undue distortions of competition. The State ought to have the right to obtain a value equal to the sum of recapitalisation, such as preference shares with the right to adequate remuneration. The issue price of new shares must be determined on the basis of market price. In addition, the beneficiary is required to prepare a restructuring programme. As the data in Table 2 indicates, the total volume of recapitalisation granted from 1 October 2008 to 1 October 2012 amounted to 777.3 billion Euro (6.2% of the EU's GDP). In terms of relative value, the largest beneficiary of that type of state aid was Ireland (57.9% of GDP), then Spain (19.5%) and Greece (16%). As regards the aid used in the period of 2008-2011, it amounted to 322.2 billion Euro (2.5% of GDP). The countries that recapitalised their banking system to the largest extent included the UK (82.4 billion Euro), Germany (63.2 billion Euro) and Ireland (62.8 billion Euro), whereas in term of relative values (as % of GDP), Ireland received the greatest capital "injection", in the amount of 40.1% of GDP. In two other countries, Luxembourg (6 % of GDP) and Belgium (5.5% of GDP), the percentage value of aid was significantly lower.

Another measure of state aid is controlled liquidation of a financial institution, which may be a consequence of failed restructuring or be part of a general guarantee programme. This liquidation needs to meet certain criteria, i.e. the sales process is to be carried out according to market rules and the financial institution or the State should obtain the highest price for the assets and liabilities sold.



Asset-related interventions are another type of state aid addressed to the financial sector. As a result of the financial crisis, many banks faced the problem of so-called impaired (toxic) assets, for which the market value became significantly lower than their book value. That problem forced the States to take action related to the “cleansing” of bank assets and the correct evaluation of their market value. The data presented in Table 3 indicates that the total volume of state aid related to the intervention in asset markets from 1 October 2008 to 1 October 2012 amounted to 445.75 billion Euro (3.5% of the EU’s GDP in 2011). It should be emphasised that this form of aid was used in only 11 of the 27 EU countries. In absolute terms, the largest amount of aid was received by the UK (248 billion Euro), then Ireland, Germany, Belgium and Holland. In relative terms (as a % of GDP), Ireland ranked the first (34.5 % of GDP), followed by the UK (14.3 %).

In the period from 1 October 2008 to 1 October 2012, the European Commission took approximately 350 decisions concerning grants of state aid for the financial sector, based on Article 107, paragraph 3 of the Treaty on the Functioning of the European Union (TFEU). Aid measures were taken in almost all the EU Member States, excluding Bulgaria, the Czech Republic, Estonia, Malta and Romania. The value of financial aid granted in that period reached 5,058.9 billion Euro (40.3% of the EU’s GDP). The largest share of aid was granted in 2008 in the amount of 3,394 billion Euro (27.7% of the EU GDP), mainly in the form of deposit guarantees and bank bonds. In subsequent years, state aid was mostly related to the recapitalisation of banks and asset-related interventions; however, recently guarantees have become more widely used again. Moreover, from 1 January to 1 October 2012 the EU granted additional aid for the financial sector in the amount of 429.5 billion Euro.<sup>4</sup>

Regarding the use of the aid granted, the total amount of funds used reached 1,615.9 billion Euro (12.8% of the EU’s GDP) from 1 October 2007 to 31 December 2011. The largest portion of that sum was allocated to bank guarantees (1,085 billion Euro - 8.6% of GDP), recapitalisation (322 billion Euro - 2.6% of GDP), removing bad assets from banks (119.9 billion Euro - 0.9% of GDP), and finally to instruments to support liquidity (89 billion Euro - 0.7% of GDP).

The Table below presents the amount of state aid granted to entities in the financial sector in different EU countries during the financial crisis.

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<sup>4</sup> Commission Staff Working Document Accompanying the Document: State aid Scoreboard 2012 Update - Report on State aid granted by the EU Member States, COM(2012) 778 final, Brussels, 21.12.2012; [http://ec.europa.eu/competition/publications/annual\\_report/2012/part1\\_en](http://ec.europa.eu/competition/publications/annual_report/2012/part1_en) (03.09.2013).



<b>Holland</b>	37.6	6.3	200.0	33.2	22.8	3.8	52.9	8.8	313.3	52.0
<b>Austria</b>	15.9	5.3	77.8	26.0	0.5	0.2	0.0	0.0	94.2	31.3
<b>Poland</b>	33.9	9.2	33.9	9.2	0.0	0.0	0.0	0.0	67.8	18.3
<b>Portugal</b>	26.3	15.4	40.7	23.8	4.0	2.3	6.1	3.5	77.0	45.0
<b>Romania</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Slovenia</b>	0.6	1.8	12.0	33.7	0.0	0.0	0.0	0.0	12.6	35.4
<b>Slovakia</b>	0.7	1.0	2.8	4.1	0.0	0.0	0.0	0.0	3.5	5.0
<b>Finland</b>	4.0	2.1	50.0	26.4	0.0	0.0	0.0	0.0	54.0	28.5
<b>Sweden</b>	5.0	1.3	156.0	40.3	0.0	0.0	0.5	0.1	161.6	41.8
<b>UK</b>	114.6	6.6	458.8	26.3	248.1	14.2	51.9	3.0	873.3	50.0
<b>EU 27</b>	<b>777.3</b>	<b>6.2</b>	<b>3646.6</b>	<b>28.9</b>	<b>445.8</b>	<b>3.5</b>	<b>216.3</b>	<b>1.7</b>	<b>5086.0</b>	<b>40.3</b>

Source: Author's own compilation based on State Aid Scoreboard. Report on State aid granted by the EU Member States, Autumn 2012 update, [http://ec.europa.eu/competition/state\\_aid/studies\\_reports/expenditure](http://ec.europa.eu/competition/state_aid/studies_reports/expenditure) (29.08.2013).

It should be noted that in all the cases of state aid related to the crisis, the European Commission stressed the need for the greatest possible elimination of competition distortions and for maintaining the functioning of the single market. The announcement of the Irish Government's project concerning the granting of state guarantees to only six Irish banks is an example of a case in which the necessity to limit distortions of competition was emphasised. The Commission decided that such a project entailed a serious risk of capital outflow from undue competition. As a result, the Irish government had to make changes to the project so that the guarantee programme was available to all the banks along with their subordinate companies and branches located in Ireland.<sup>5</sup>

#### **Aid for the real economy**

At the beginning of 2009, the financial crisis in the banking sector began to spread and gradually encompassed other sectors of the economy. This was, among other things, due to a reduced propensity to take risks by banks, which in turn led to restrictions on access to credit and resulted in declines in demand and production in the real economy. In order to counter these adverse phenomena, the European Commission continued its policy of state aid related to the financial and economic crisis. This approach was manifested in the issuance of two Communications concerning the management of impaired assets in the Community banking sector, as well as rules regarding the aid granted within the Temporary Community Framework to facilitate access to financing during the financial and economic crisis.<sup>6</sup>

These rules were designed to prevent a decrease in bank liquidity and to increase the availability of credit to businesses, as well as to contribute to economic recovery. In order to facilitate businesses' access to finance, various forms of state aid were provided to the real sector of the economy. Direct grants for companies in the amount of 500,000 Euro were one of those measures. In addition, aid is provided in the form of loan guarantees, which allows authorities to grant aid in the form of subsidized loans for investment and in the form of working capital loans. Aid for companies in the form of reduced interest rates on loans is also permitted, especially for companies that invest in the production of organic products. Programmes to support small and medium-sized enterprises' access to venture capital (particularly in the early stages of their development), or export credit insurance are also provided. Since state aid within the Temporary Community Framework has been intended for the

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<sup>5</sup> *Commission Staff Working Document Accompanying the Report from the Commission on Competition Policy 2008*, SEC(2009)1004 final, Brussels 23.7.2009, s. 49; [http://ec.europa.eu/competition/publications/annual\\_report/2008/part2\\_en](http://ec.europa.eu/competition/publications/annual_report/2008/part2_en), (04.09.2013).

<sup>6</sup> Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis, Official Journal of the EU C 83/1, 07.04.2009

realisation of horizontal objectives, the EU countries are allowed to grant it to businesses from each sector of the economy.

In the years 2009 and 2010, the total used aid resulting from the adoption of the Temporary Community Framework amounted to 32.7 billion Euro (0.26% of the EU's GDP). In 2011 the Member States used aid in the amount of approximately 4.8 billion Euro (0.037% of the EU's GDP), i.e. less than half of the amount used in 2010. In general, the Member States used about 45% of the aid granted under the Temporary Community Framework. One reason for the relatively low use of the available resources are their strict criteria and the high discipline of their allocation. On the other hand, this could also have resulted from the increasing budgetary constraints in the Member States, due to high budget deficits and public debt.

**Table 4. EU state aid in the years 2009-2011 granted under the Temporary Community Framework**

	<b>Aid granted in 2009-2011 (in billion Euro)</b>	<b>Aid used in 2011 (in billion Euro)</b>	<b>Aid as % GDP in 2011</b>
<b>EU-27</b>	<b>82.9</b>	<b>4.8</b>	<b>0.04</b>
<b>Belgium</b>	8.1	0.2	0.05
<b>Bulgaria</b>	0.001	0	0
<b>Czech Republic</b>	1.1	0.1	0.06
<b>Denmark</b>	0,0	0	0
<b>Germany</b>	29.6	0.7	0.03
<b>Estonia</b>	0.2	0	0
<b>Ireland</b>	0.4	0.01	0.004
<b>Greece</b>	4.0	0.1	0.04
<b>Spain</b>	2.5	0.4	0.04
<b>France</b>	0.6	1.6	0.08
<b>Italy</b>	0.4	0.7	0.04
<b>Cyprus</b>	0.0	0	0
<b>Latvia</b>	0.6	0	0
<b>Lithuania</b>	0.1	0.001	0.002
<b>Luxembourg</b>	0.5	0	0
<b>Hungary</b>	9.7	0.01	0.01
<b>Malta</b>	0.04	0	0
<b>Holland</b>	0.0	0.02	0.003
<b>Austria</b>	10.2	0.004	0.001
<b>Poland</b>	0.2	0	0
<b>Portugal</b>	0.8	0.2	0.09

<b>Romania</b>	0.4	0	0
<b>Slovenia</b>	1.3	0.2	0.55
<b>Slovakia</b>	0.4	0.005	0.01
<b>Finland</b>	0.5	0.03	0.01
<b>Sweden</b>	1.3	0.7	0.17
<b>UK</b>	10.1	0.0005	0.00003

Source: Author's own compilations based on State Aid Scoreboard. Report on State aid granted by the EU Member States, Autumn 2012 update, [http://ec.europa.eu/competition/state\\_aid/studies\\_reports/expenditure](http://ec.europa.eu/competition/state_aid/studies_reports/expenditure) (29.08.2013).

#### 4. Conclusions

- The scope of non-crisis aid granted in the 27 EU countries in the analysed period (2006-2011) became incrementally reduced, both in absolute terms and in relation to the average GDP of the European Union. This should be considered as a favourable trend, given the fact that aid has a negative impact on business competition, causing its disruption.
- In Poland, the level of state aid increased significantly in 2008 (to the level of 3,097.3 million Euro), which in part was due to methodological reasons. The increase was also the result of the granting in 2008 of aid which in previous years was not provided (aid for bio-fuels, and aid to energy producers).
- At the same time, it should be pointed out that the European Union allocates substantial funds for crisis aid, which in some years of the studied period resulted even in quadruple the volume of this type of state aid (compared to non-crisis aid) in relation to the EU's GDP.
- As a result of the financial crisis, measures have been taken both to increase the liquidity of the financial system (e.g. provision of guarantees and loans, recapitalisation of financial institutions, purchase of impaired assets), as well as to support the real economy (e.g. direct grants to companies, loan guarantees, reductions of interest rates on loans, programmes supporting access of small and medium-sized enterprises to venture capital and export credit insurance).
- In the case of Poland, from 1 October 2008 to 1 October 2012, the total volume of crisis state aid for the financial sector amounted to 67.8 billion Euro (which accounts for 1,3 % of the total volume of aid granted in the EU countries). If support for the real economy is considered, the volume of state

aid in Poland was negligible, because it only amounted to 0.2 billion euros (compared to 82.9 billion euros of aid for all the EU countries).

- These facts indicate that Poland as a country slightly affected by the economic crisis, has relatively little benefited from the EU crisis state aid.
- This significant increase in state aid related to the financial crisis granted by the EU countries is associated with the risk of breach of single market rules and of the ban on granting state aid contrary to the Community competition law. At the same, the amount of aid granted reduces the Commission's ability to exercise effective supervision of the economic intervention instruments used by the Member States.
- It is difficult at this time to clearly identify what consequences this crisis state aid will have for the EU countries. There is no doubt that the aid has consumed a significant portion of the GDP of the countries undertaking interventions and has significantly increased their budget deficits and public debt.
- As a result of these actions, a visible tightening of fiscal policy resulting, inter alia, in a significant increase in the fiscal burden of the EU countries, is expected. This, in turn, may adversely affect the health of business entities and indirectly their competitiveness.
- One cannot underestimate, however, the fact that the aid granted during the financial crisis has saved many financial institutions and enterprises of the real economy from bankruptcy, as well as spared many EU countries a dramatic, long-term recession and a sharp rise in unemployment. Therefore, this aspect should also be taken into account when analysing the impact of state aid on the competitiveness of economies.

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## Streszczenie

### POMOC PUBLICZNA W UNII EUROPEJSKIEJ W OKRESIE KRYZYSU GOSPODARCZEGO

*Globalny kryzys gospodarczy spowodował konieczność zaangażowania państwa w ratowanie przed bankructwem wielu podmiotów gospodarczych, początkowo w sektorze finansowym, a następnie, w późniejszej fazie kryzysu, także w realnej sferze gospodarki. W krajach Unii Europejskiej działania te przyjmują formę pomocy publicznej, która jest szczegółowo uregulowana, ponieważ oznacza korzyści dla jej beneficjentów, a więc narusza reguły konkurencji rynkowej. W związku z tym udzielanie pomocy publicznej jest kontrowersyjne, gdyż potencjalnie wpływa ona niekorzystnie na politykę konkurencji prowadzoną w UE. Celem artykułu jest analiza i ocena rozmiarów pomocy publicznej udzielanej w krajach UE w dobie kryzysu gospodarczego oraz jej potencjalnego wpływu na kondycję ekonomiczną gospodarek i stan sektora finansów publicznych.*

**Słowa kluczowe:** *pomoc publiczna, kryzys gospodarczy, pomoc kryzysowa i niekryzysowa, sektor finansowy, realna sfera gospodarki*