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**VALUE AND STRUCTURE OF PUBLIC AID IN POLAND
AGAINST THE EUROPEAN UNION BACKGROUND
DURING THE YEARS 2007–2012**

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Key words: interventionism, public aid, forms of public aid.

Abstract

Evaluation of changes in the value and structure of public aid in Poland and EU during the years 2007–2012 was the objective of the paper. The data from reports by the Office of Competition and Consumer Protection as well as data from the *State Aid Scoreboard* published by the European Commission based on the information provided by the Member States concerning that aid was used. In Poland, evident increasing trends of the horizontal aid value can be observed. In 2012, as compared to 2007, it increased by 0.5 billion euro to the level of 1.64 billion euro. Its share in the total value of support oscillates within 55–60% range. In the European Union that share is generally at the level of 70–74%. In Poland, the sectoral aid is limited gradually although its magnitude still differs from the Union standards. In 2012, the share of that aid was relatively small at ca. 14% while in the EU it was 12.9%. The regional aid is at the similar level both in Poland and in the EU oscillating around 20%. However, in 2012, the share of regional aid in Poland increased to the level of 26% and it was higher by 8 pp than the share of that aid in the EU. Significant differences are characteristic for the share of the aid in the GDP. During the period covered by the study the largest differences occurred in 2010 when the share of support in Poland was 1.7% of the GDP and in the EU 0.6% of the GDP. In 2012, a half of the public aid in Poland was allocated to large enterprises.

**WARTOŚĆ I STRUKTURA POMOCY PUBLICZNEJ W POLSCE
NA TLE UNII EUROPEJSKIEJ W LATACH 2007–2012**

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Słowa kluczowe: interwencjonizm, pomoc publiczna, formy pomocy publicznej.

Abstrakt

Celem artykułu jest ocena zmian wartości i struktury udzielanej pomocy publicznej w Polsce i UE w latach 2007–2012. Wykorzystano dane z raportów Urzędu Ochrony Konkurencji i Konsumentów oraz dane ze sprawozdań *State Aid Scoreboard* publikowanych przez Komisję Europejską,

sporządzanych na podstawie informacji udostępnionych przez państwa członkowskie. W Polsce można zaobserwować wyraźne tendencje wzrostowe wartości pomocy horyzontalnej. W relacji do 2007 r. w 2012 r. wzrosła ona o 0,5 mld euro, do poziomu 1,64 mld. Jej udział w ogólnej wartości wsparcia wynosi 55–60%. W UE udział ten kształtuje się przeważnie na poziomie 70–74%. W Polsce pomoc sektorowa jest sukcesywnie ograniczana, jednak jej rozmiary wciąż odbiegają od norm unijnych. W 2012 r. udział pomocy wyniósł stosunkowo niewiele – ok. 14%, w UE 12,9%. Pomoc regionalna zarówno w Polsce, jak i UE kształtuje się na podobnym poziomie, ok. 20%. W 2012 r. jednak udział pomocy regionalnej w Polsce wzrósł do poziomu 26% i był wyższy o 8 punktów procentowych od udziału w UE. Istotne różnice charakteryzują udział pomocy w PKB. W badanym okresie największe różnice wystąpiły w 2010 r. Udział wsparcia wyniósł w Polsce 1,7% PKB, w UE 0,6% PKB. W 2012 r. połowę wartości pomocy publicznej w Polsce przyznano przedsiębiorstwom dużym.

Introduction

Functioning of free market mechanism suffers from existence of numerous imperfections called market failures. This results from the fact that despite the market ability to regulate itself, sectors of economy exist in which circumstances supportive for achievement of the required solution do not exist. In those cases, even if the market operates efficiently and effectively, situations occur where state intervention is required (AMBROZIAK 2009). State interventionism is defined in the literature as “active, aiming at accomplishment of specific objectives, influence of the state (government) on economic and social processes” (MARKOWSKI 1992).

The phenomenon of state intervention in the economy has occurred since the earliest times. Already in the ancient times one can find regulations by the state concerning work of slaves and land ownership. Currently the issue whether the state should intervene is the subject of heated discussions. Some economists such as A. Smith, D. Ricardo or M. Friedman support limiting the role of the state in the economic life while others, such as J.G. Fichte, J.M. Keynes or K. Marks see the necessity of state intervention in the economy (STANKIEWICZ 2007). Even the most liberal market concepts support state interventionism although the level of state intervention in the economy is the undetermined issue that is subject of disputes.

Not every intervention by the state is able to minimise or eliminate negative phenomena. This is a consequence of state deceptiveness. In the case the state excessively exceeds its competences and its activities do not give the expected outcomes the costs of intervention projects may exceed the inefficient market operational costs (GARBARSKI et al. 1994). There are situations where government activities may only worsen the situation in the market and the intervention leads to waste of funds and power abuse. Interventionism that offers more benefits than loses should be characterised by comprehensive nature, correlation with the development of actual economic processes and

relative stability; otherwise it becomes a set of incidental undertakings causing negative consequences in the economy (WOJTYNA 1990).

It is very hard to imagine the market mechanism operation without applying the instruments available to the state. The state willing to implement the economic policy in the most effective way stimulates entities present in the market. Providing specific benefits to enterprises or entire sectors called public aid is one of the methods of supporting the economy (JANKOWSKI 2001, LIZIŃSKA, KISIEL 2012, NAZARCZUK 2012).

Public aid is an issue that has encompasses many aspects and it is one of the most complex issues in the European Union (EU). It may result in numerous negative consequences for the economy of both the given country and the entire EU. It may cause competition disturbance and contribute to disrupting the intra community exchange, however, applied in the appropriate way, it contributes to rapid development of the economy, decreasing disproportions between regions and accelerating necessary changes as well as the development of certain industrial sectors or agriculture (ZAWOJSKA 2013).

Continual striving for the most effective use of public aid, particularly during the period of economic crisis, contributed to introduction of numerous reforms. The European Commission (EC) appeals to the Community countries to decrease the sectoral aid and to target it at horizontal aid (research and innovation as well as human capital optimisation) that results in the lowest risk of disturbing competition and has the most favourable influence on the market (JANKOWSKA, MAREK 2009).

Objective and methodology of the work

Public aid is an extensive phenomenon creating numerous economic as well as legal problems but it is very important from the perspective of European economic development. In Poland, the share of provided aid in the GDP is still too high comparing with its share in the GDP of 27 EU countries. The difference can also be noticed in the structure of support provided. Bringing public aid trends closer to the trends characterising the EU countries represents one of the methods for satisfying the EC requirements concerning public aid.

The aim of the paper is to present the evaluation of changes in the value and structure of public aid provided in Poland and in the EU during the years 2007–2012. During the analysed period, as a consequence of manifestation of the economic crisis outcomes renewal of the discussion on justification for and methods of providing public aid was observed. It was also a period of a significant increase in value of that aid. Based on the conducted analyses, an attempt

was undertaken to assess the directions of changes in providing public aid. The research material in the form of data from reports was obtained from the Office of Competition and Consumer Protection, which is in charge of providing opinion on and notification of public aid projects, represents the Government of Poland in proceedings in front of the European Commission and European courts as well as monitoring the aid awarded to Polish entities. Data from the *State Aid Scoreboard* reports published by the European Commission drafted based on the information made available by the Member States concerning that aid was used for comparison of public aid value in Poland and the average value for 27 EU countries. The data concerning the value of aid awarded in the EU made available on the EC website was also used in the paper.

The notion, objectives and conditions for awarding public aid

Public aid (state aid) is one of the most common forms of state intervention in the field of both economic and social activities in the market economy. It means providing specified benefits to economic entities by using the instruments and institutions of public sector for that purpose (WOŹNIAK 2006).

Public aid causes consequences to the market such as disturbance of competition, favouring entities covered by the aid in comparison to other entities, it offers certain benefit on conditions more favourable than market conditions and it exempts from fees. Moreover, it is allocated to chosen entities, it decreases the budget revenues or represents a burden to the budget and it also influences trade by favouring chosen enterprises and products (NAZARCZUK 2012). EU regulations lack a specific, classic definition of public aid. Only the premises of aid that is incompatible with the common market principle can be found in the Treaty on the Functioning of the European Union (TFEU).

Lack of a specific definition of that aid hinders the process of taking decisions on award of such aid, extends the waiting time for issuance of decisions and causes numerous problems. Lack of the appropriate definition, according to some authors, was intentional because a rigid definition results in the risk of bypassing it in various ways by the Member States. On the other hand, the aim of that solution was to provide the Commission and Tribunal with the possibilities of flexible and wide interpretation of the issue. The gap caused by absence of the legal definition is closed by the activities of the Commissions and judicial decision of community courts (POSTUŁA, WERNER 2008).

All the issues related to the public aid are governed by regulations of both primary (basis principles of the EU functioning) and secondary legislation. The TFEU is the fundamental base of the EU policy on that aid. The most important regulations are contained in articles 107, 108 and 109 of the TFEU¹. Article 107 of the TFEU defines the aid incompatible with the regulations and the expected deviations from the ban on providing it. Article 108 of the TFEU defines the competences of the European Commission and of the Council as concerns control of aid award while article 109 of the TFEU specifies the competences of the Council to publish regulations on application of the two earlier mentioned articles. The Treaty also contains regulations that govern the ban and authorisation of granting public aid in agriculture – art. 42 of the TFEU and transport – art. 93, 96, 98 of the TFEU. Moreover, separate regulations govern public aid for public enterprises – art. 106 section 2 of the TFEU (MARQUARDT 2007).

There is a general assumption in the EU law that forbids providing support from public funds. Aid that may be considered forbidden is the aid that satisfies four premises simultaneously. The so-called premises for public aid eligibility are: state aid, selectivity, anti-competitiveness and negative influence on trade between Member States (PODSIADŁO 2013). The subject of evaluation from the perspective of public aid is not entities or groups of entities but transactions between entities and specifically the character of the transactions and consequences of those transactions (www.bsskancelaria.pl).

It happens very often that the benefits of providing public aid exceed the losses that it could cause. Hence, such aid is allowed even though it satisfies the premises of the ban provided for in the treaty. This is the so called allowed aid².

The situations mentioned above have a certain common objective – preventing negative consequences of the given phenomena or reversing them. In providing that type of aid it is assumed that the intention of the state is to restore the situation that existed prior to occurrence of the disturbing factor, e.g. a natural disaster and not improving the standing of some enterprises at the expense of the others. Protection of competition is of secondary importance there and the aid is considered consistent with the common market and it is awarded automatically (*Pomoc...* 2009).

Article 107 section 3 of the TFEU specifies also other types of support to entrepreneurs that may be considered compatible with the internal market after being first considered by the Commission and after issuance of the

¹ Previously art. 92, 93, 94 of the TFEU.

² According to art. 107 TFEU such aid is, e.g. aid aimed at minimising the damages caused by natural disasters or extraordinary situations, aid of social nature granted to individual consumers on condition that it is granted without discrimination related to the origin of products and aid granted to some regions of the Federal Republic of Germany suffering as a consequence of the division of Germany, www.nfosigw.gov.pl

positive decision (so-called allowed aid) (www.nfosigw.gov.pl). However, they are specified in very general terms and the Member States are not sure whether the support measures provided would be considered allowed. In response to the situation, the European Commission issued numerous documents containing the interpretation of the TFEU as concerns the objectives and conditions for the allowed aid. Based on them the rules for allowing regional, horizontal and sectoral aid were established.

The area of business activity conducted by the business entity is the major criterion based on which the specific aid may be classified as regional aid. That support may be obtained only by the entities that operate in the territory characterised by low level of economic development as compared to the situation in the European Union as a whole (KRÓLIKOWSKA-OLCZAK 2011). Regional aid is not represented separately in the EC reports. It is included in the total value of horizontal aid while in the reports by the Office of Competition and Consumer Protection regional aid is treated as a separate category.

Aid for horizontal objectives with inter-sectoral profile is targeted at all the entrepreneurs that, after obtaining the aid of that kind, will aim at accomplishment of specified objectives indicated for the determined types of horizontal aid. The European Commission prefers that type of aid the most because of the benefits it provides to the economy and the lowest influence on distraction of competition. It is a type of support targeted for general objectives related to modernisation and support of economic growth indifferent of the region or sector (*Raport o pomocy...* 2013). It is targeted, first of all, to research, development and innovation, environment protection, training and employment. To a significant extent, it is used for implementation of the European cohesion policy, including its three fundamental objectives: strengthening territorial, economic and social cohesion. Horizontal aid may be considered the least harmful to the common market because socioeconomic objectives accomplished thanks to it compensate possible negative consequences resulting from unfavourable influence of the aid granted on competition (SNAŻYK, SZAFRAŃSKI 2010).

Sectoral aid is granted to entities based on the criterion of belonging to a given sector (JANKOWSKA 2005)³. Restructuring of the given sector that should restore its capacity of effective functioning in the market is the sole possible objective of sectoral aid. Such aid cannot be granted to a given sector of production or services if it would not be capable of functioning on its own without the public funds. However, those assumptions are not applied in

³ It is granted to entities operating in the sectors of: shipbuilding, coal mining, power, cinematography, natural gas and recently the financial sector that suffered as a consequence of the financial crisis outbreak in 2008 (*Raport o pomocy...* 2013).

practice because in numerous sectors such aid is granted continually and without it they would not be able to survive (MARQUARDT 2007). Sectoral aid represents potentially the highest threat to competition because of its temporary nature and direct influence on trade in the Union. Hence the Commission applies restrictive rules allowing more stringent control of that aid (CIEŚLIŃSKI 2007).

Entities operating in the market, besides regional, horizontal or sectoral aid, may apply for *de minimis* aid as well as aid for rescue and restructuring⁴. The support measures provided within the frameworks of public aid may be of direct nature, so-called positive aid exemplified by subsidies (the most transparent and preferred form of aid) or it may assume the form of reduction of or resignation from taxes, fees and charges (so-called negative aid) (GASZ 2010). Moreover, public aid may be granted within the framework of the aid programme or as individual aid⁵.

Currently the value and the directions of support provided have changed as a consequence of the economic-financial crisis the consequences of which increased the susceptibility of the market to anti-competitive actions. Aid provided to the financial sector resulted in several-times increase of public aid in the Union as a whole. However, the total outlays on public aid not related to the crisis continued decreasing in long-term perspective (in 1993 state aid was over 0.9% of the EU GDP while in 2011 it was 0.5% of the EU GDP). This indicates the trend of decreasing the overall level of aid resulting probably from more difficult budget situation in many Member States (*State aid scoreboard* 2012). Still, nevertheless, public aid is not a safe instrument and hence it causes numerous problems and requires modernisation. The strategy for the years 2013–2020, i.e. the “Strategy 2020” assumes changes in the aid that should contribute to stimulating economic growth. The major directions include: more precise definition and better explanation of the notion of public aid and principles of granting it, revision and standardisation of guidelines, tighter control of aid with significant influence on the internal market and simplification of the rules and shortening the time for taking decisions. Those

⁴ *De minimis* aid is the aid granted to the entrepreneur during three consecutive years not exceeding the total value of EUR 200,000. That aid, because of the negligible influence on competition is not subject to compulsory notification. Aid for rescue and restructuring represents a particular type of support because of the largest threat to the community market. This type of support is subject to unconditional notification to the EU and it is subject to restrictive eligibility criteria (*Raport o pomocy publicznej...* 2012).

⁵ We can call a legislative act that defines the principles, conditions and forms of providing support as well as legal bases for providing it an aid programme. On the other hand, individual aid is granted outside the programme, i.e. if the given body did not foresee such aid during elaboration of the programme or it was unable to foresee it because of its nature. Individual aid aims at supporting a large investment project so it is addressed to the given entrepreneur for the determined use, www.mg.gov.pl

actions are focused on creating the dynamic and competitive uniform market in which public funds are spent efficiently and effectively (*Unowocześnie unijnej polityki...* 2012).

The level, trends and directions of public aid changes in Poland against the European Union background

The basic differences between the practice of granting support in Poland and in the EU are not only its level but also the application and form. This results from the difference in the level of development and the diversified structure of the needs of the economies. In Poland, structural activities resulting from the necessity for transforming the economy still dominate as some industries are not independent yet and they require support of the state to increase productivity. Modernisation and restructuring activities in the individual EU countries took place a few years ago and hence the share of sectoral aid in the total sum of public aid is at the lower level (Tab. 1).

Table 1
Value and structure of public aid according to the target in Poland and in the EU during the years 2007–2012

Aid target	Years											
	2007		2008		2009		2010		2011		2012	
	UE	PL	UE	PL	UE	PL	UE	PL	UE	PL	UE	PL
Value in billions €*												
Horizontal aid**	44.58	1.14	50.76	1.52	55.00	1.79	52.16	2.05	49.31	1.55	49.63	1.64
– including regional aid	10.45	0.31	13.69	0.47	15.74	0.61	13.60	0.76	12.52	0.55	12.13	0.72
Sectoral aid	11.42	0.24	12.83	0.94	12.44	0.91	10.82	0.63	7.50	0.66	8.67	0.40
Total aid value	67.77	1.94	75.47	3.18	78.36	3.35	72.30	3.36	65.79	2.91	67.16	2.74
Share in the total value of aid granted [%]												
Horizontal aid**	65.78	58.94	67.26	47.87	70.19	53.44	72.15	60.97	74.95	53.43	73.90	59.83
– including regional aid	15.42	16.02	18.13	14.69	20.08	18.33	18.80	22.49	19.04	19.09	18.06	26.11
Sectoral aid	16.85	12.37	17.00	29.48	15.88	27.11	14.96	18.76	11.41	22.89	12.92	14.42

* the aid value does not include the crisis aid granted

** the European Commission considers regional aid a component of horizontal aid

Source: own work based on: http://epp.eurostat.ec.europa.eu/tgm_comp/table.do?tab=table&plugin=1&language=en&pcode=comp_ncr_xr1_01; http://ec.europa.eu/competition/state_aid/scoreboard/non_crisis_en.html.

During the analysed period, clear increasing trends in the value of horizontal aid in Poland can be observed. In 2012 as compared to 2007, it increased by 0.5 billion euro. It is impossible to define any clear trends as concerns the share of the horizontal aid value in the total support value. As of 2009,

however, it has oscillated within 55–60%. In the EU that share was usually at the level of 70–74%. Sectoral aid in Poland is successively limited although its magnitude still differs from the Union standards. The share of sectoral aid was at the highest level of ca. 30% in 2008. As of 2010, the share of that aid has decreased successively and in 2012 it was over 14%. The aid in the EU is characterised by a different structure. Sectoral aid recorded the highest level in 27 countries in 2009 although that value was 13% lower than the maximum share of that aid in Poland. Sectoral aid of the EU is characterised by the decreasing trend and in 2011 its share was over 11% while in Poland it was twice higher. Regional aid, both in Poland and in the EU is at the similar level oscillating around 20%; however in 2012 the share of regional aid in Poland was 26% and was lower by 8 percent points than its share in the EU.

The shares of the individual categories of aid in the total aid in Poland differ significantly from the trend in the EU, first of all in case of the horizontal aid, although those differences decrease gradually. The share of horizontal aid in Poland continues to be too low as compared to the EU. For example, in 2011 the horizontal aid share in Poland was lower by over 20%. Bringing public aid closer to the Union standard should be the priority for Poland.

Significant differences occur also in the share of the aid in the GDP of Poland and the EU. As of 2008, those differences take significant values. During the period studied, the largest differences occurred in 2010. The share of support in Poland at that time was 1.7% of the GDP while the average share of aid in the EU countries was almost three times lower at the level of 0.6% of the GDP (Fig. 1). In the EU, Malta, Hungary, Portugal and Denmark are the countries with the highest share of aid value in the GDP. In 2010, Hungary recorded the highest share of aid in the GDP at 2.3%.

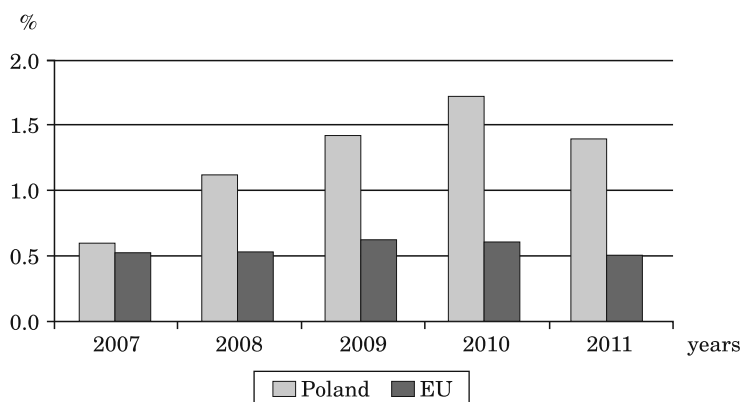


Fig. 1. Share of the value of granted public aid in the GDP during the years 2007–2011

Source: own work based on: http://ec.europa.eu/competition/state_aid/studies_reports/expenditure.html#1 and Reports on public aid in Poland granted to entrepreneurs during the years 2007–2011.

The positive phenomenon indicating bringing the value of the public aid granted in Poland to the EU standard is the continual increase of the public aid in the form of direct expenditures (mainly grants) coupled with limiting forms such as exemptions and tax discounts and remission. Direct expenditures in Poland in 2009 and 2010 represented over 70% of the total value of aid while in 2010 that value exceeded 85%. Providing aid in the form of direct expenditures (active aid) causes that the state aid is more transparent and supportive to development of enterprises. That is why the European Commission recommends decreasing the other forms of aid, i.e. passive aid to increase grants and subventions. Policy focused on closing the development gap between Poland and the other economies of the EU countries characterised by higher levels of *per capita* GDP is the recommended policy for granting public aid in Poland.

Still, too much funds within the framework of aid in Poland is targeted at the sector of large enterprises instead of the SME sector. In other EU countries small and medium entrepreneurs receive much more public aid. In 2011, large enterprises received more than 61% of the total aid value. That was the highest share during the studied period (Tab. 2). The Office of Competition and Consumer Protection report on Public aid for 2011 indicates that 11 largest beneficiaries received almost 25% of the total aid, i.e. over 200 million PLN.

Table 2
Value and structure of public aid granted according to beneficiary 2007–2012

Size	Value and share of public aid in individual years											
	2007		2008		2009		2010		2011		2012	
	bn PLN	%	bn PLN	%	bn PLN	%	bn PLN	%	bn PLN	%	bn PLN	%
Large	2.1	44.0	5.9	50.9	8.7	53.9	11.7	55.1	10.8	61.8	8.5	50.3
Medium	1.5	30.1	3.1	27.1	3.4	21.4	3.8	18.2	2.8	16.0	3.4	20.1
Small	0.8	16.9	1.7	14.5	2.5	15.6	3.1	14.5	2.2	12.3	2.8	16.4
Micro	0.4	9.1	0.8	6.8	1.5	9.1	2.6	12.2	1.7	10.0	2.2	13.1
Total	4.8	100.0	11.5	100.0	16.1	100.0	21.2	100.0	17.5	100.0	16.9	100.0

Source: own work based on the: Report on public aid in Poland granted to entrepreneurs during the years 2007–2012. Office of Competition and Consumer Protection, Warsaw.

The differences in magnitude and structure of aid in Poland and in the EU are influenced by economic circumstances, that is the differences in the levels of economic development (Poland is still struggling with outdated structures offering low productivity) as well as institutional circumstances. In Poland, the transparency is still insufficient and legal solutions are poorly coordinated. Excessive number of decision-takers, e.g. ministries, foundations, agencies, deals with providing aid. This situation leads to lack of integrity of public aid objectives and tools.

Currently, we see gradual improvement as the state aid granted in Poland is gaining successively the character of aid stimulating socioeconomic development. Comparative analysis of aid value in Poland and in the EU shows significant differences. At the same time, positive changes take place in the structure of those values in Poland. The report on the aid granted in 2011 indicates that the value of aid granted for training, aid in employment and R D projects is characterised by the increasing trend. In Poland, the value of aid for rescue and restructuring should absolutely be limited. In 2010 it amounted to the total exceeding PLN 222.3 billion. Based on the Office of Competition and Consumer Protection report, we can notice its decrease in 2011 to the level of PLN 63 billion. Still that value is too high although its gradual decrease may indicate an increase in effectiveness of some sectors as well as the trend of limiting their dependence on public funds.

Changes that will take place in public aid were initiated by the communique concerning modernisation of the EU policy in 2012. The objectives assumed as a consequence of the reform are to contribute, first of all, to implementation of the strategy "Europe 2020" and supporting the efforts of the Member States aiming at budgetary consolidation. The strategy of reforms contained in the multiyear financial framework of the EU will be based on better collaboration of the Member States with the EC. The main intention is to increase the role of countries in the process of providing any forms of aid and obligating them to grant lower amounts of public aid. All the activities undertaken by the EC aim at securing economic growth in the competitive internal market that is permanent, integral and supportive to social inclusion, improving the efficiency of control activities conducted *ex ante* on the issues of the largest influence on the internal market, optimisation of the rules and shortening the time for taking decisions (*Unowocześnie...* 2012).

Conclusion

Public aid is the issue that has many aspects. It is one of the most complex areas in the EU, which is highlighted by authors of numerous publications. Its application may result in many negative consequences for both the economy of the given country and the entire EU (disturbance of competition, disruption of trade within the Community). Despite those threats, public aid is allowed because, appropriately applied, it contributes to the faster development of economy, decreasing disproportions between regions, stimulating necessary changes and development of some industry sectors. Continual striving at the most effective public aid use contributes to introduction of numerous reforms. The issue of state aid to entrepreneurs is the phenomenon raising numerous

doubts. On the one hand, the current market needs competition protection while on the other hand certain areas of the economy require support to implement structural changes. Current market is characterised by turbulent, rapidly changing environment the changes of which are very hard to foresee. That is why public aid should not be excluded entirely. Its negative consequences should, however, be reduced by resigning temporary, ad hoc, sectoral aid to the benefit of horizontal aid.

Analysis of the EC report allows concluding that Poland is moving successfully towards targeting public aid in the way characteristic for the entire European Union. This is confirmed by, for instance, the domination of aid granted in the form of direct expenditures. The structure of public aid is characterised by a different structure. Still excessively large aid amounts are allocated to sectoral aid (ca. 20% of total aid), while too little is allocated to horizontal objectives that are the most demanded from the perspective of the entire EU development. In Poland numerous sectors are still dependent on that type of support. In some cases cessation of aid might contribute to collapse of those sectors. The new development strategy “Europe 2020” proposed by the EC may contribute to accomplishment of objectives by stimulating and supporting innovation, introduction of environment-friendly technologies and financing research and development activities.

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