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State Aid in the EU – Less and More Targeted?

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Summary:

The financial and economic crisis, which unfolded in the Autumn of 2008, has given rise to a number of plans and strategies. One of these was the ongoing reform of the EU state aid policy launched in 2005, with the slogan 'less and more targeted'. The European Commission's economic recovery plan of November 2008 has given a new direction to these reforms. The first, and most relevant, manifestation of this has been the temporary framework, published in December 2008, and all the state aid measures under this scheme, in force to December 31, 2010. In our study, after introducing the legal and strategic background, we examine Member States' activities under the state aid scheme from the start of the crisis in the Autumn of 2008 until the Summer of 2010. At the end of our investigation we have come to the conclusion that state aid has by no means become less – and neither is it better targeted.

Keywords: EU, competition policy, state aid, economic and financial crisis

Státní pomoc v EU – méně a více cílená?

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Abstrakt:

Finanční a ekonomická krize, která se rozvinula na podzim roku 2008, byla podnětem ke vzniku mnoha plánů a strategií, z nichž jednou byla také pokračující reforma politiky státní pomoci EU započatá v roce 2005 se sloganem „méně a více cílená". Plán Evropské komise pro hospodářskou obnovu z listopadu 2008 dal této reformě nový směr. Prvním a nejvýznamnějším projevem je dočasný rámec vydaný v prosinci 2008, účinný do 31. prosince 2010, v jehož programu probíhají veškerá opatření státní pomoci. Po představení právního a strategického pozadí budeme v naší studii zkoumat aktivity členských států v rámci režimu státní pomoci od začátku krize na podzim roku 2008 až do léta 2010. Na konci našeho zkoumání jsme došli k závěru, že státní pomoc se v žádném případě nestala méně ani lépe cílená.

Klíčová slova: EU, politika hospodářské soutěže, státní pomoc, ekonomická a finanční krize

JEL: F42, F53, E61, E62

Content

"If there were no state aid rules, governments would be tempted to start a costly subsidy war, stealing the bread from each other's table, instead of creating better ways to bake new bread."

Neelie Kroes,
European Commissioner
for Competition 2004–2009

Introduction

The European Union's competition regulation system is the only one in the world that includes the regulation of state aid as one of its regulation areas. This can evidently be so as the EU is the only supranational regulatory regime in existence. However, the primary reason behind this regulation is the fact that the European Economic Community has originally been defined by the single market[1], and, for this reason, European Community law prohibits all sorts of behaviour that present an obstacle to the development of this single market, as well as to the preservation of what has been so far achieved.

The regulation of state aid has obviously undergone major changes since the early days of European integration. The latest period has been defined by two events: the state aid reform launched in 2005, and the financial and economic crisis which have yet to completely overcome.

1. State Aid as a Regulation Area of Competition Policy

In the Treaty of Rome, the 1st passage of Article 107 (Article 87 before the Lisbon Treaty) lays down the general rule: "Save as otherwise provided in this Treaty, any aid granted by a Member State, or through State resources in any form whatsoever, which distorts, or threatens to distort, competition by favouring certain undertakings, or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market." Among the most significant elements of the passage, we highlight that *the Member States themselves (and their institutions) are the subject of the law;* that the passage *contains a general prohibition* (general clause), and that *the trade between Member States has to be affected* (interstate commerce clause). A further significant element is that, by certain criteria, *all kinds of aid are prohibited* (Tóth 2007).

1 Article 2 of the Treaty of Rome: "The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of member states, to promote throughout the community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the states belonging to it."

The rest of the article recites the cases in which state aid is *compatible* with the single market. At this point we note that *the institution of exemption has existed since the beginning*. Thus, we can state that the EU *acknowledges the existence of state aid, and justifies this, in certain cases*.

This regulation furthermore assesses the continuous control of aid schemes in Member States, on behalf of the Commission. On this basis, the Commission operates a monitoring system for the surveillance of state aid, and keeps a State Aid Register[2]. According to the regulation, *the Commission proposes measures for the Member States*, in order to ensure the continuous development, or the smooth operation of the single market.

Legal regulation also considers the consequences of default. In this respect, if the Commission, after warning the interested parties, states that an aid provided by a Member State is incompatible with the single market, or discovers that such aid has not been properly implemented, decides that the Member State in question *must eliminate or modify the aid*, within the time limit set by the Commission.

Deducted from the possibility of exemption, though the Treaty contains a general prohibition, *block exemption systems* have been in force, and there is a *de minimis rule* as well. According to the latter rule, aid that does not exceed a certain limit does not fall under Community law.

The need to reform state aid regulation has been on the agenda for quite some time (Besley, Seabright 1998). The reform was eventually launched in 2005, in line with the restarted Lisbon Agenda (Hargita 2009). The first result of this reform, manifested in the regulation process, was the adoption of the *General Block Exemption Regulation* (GBER, Regulation No. 800/2008), in 2008 that replaced the earlier thematic and horizontal block exemption regulations, overruling all the previous ones. Still, the new regulation is *not a mere standardisation of earlier exemptions, but also a reshaping of these*, by placing them in a complex system.

The General Block Exemption Regulation explicitly specifies those state aid categories exempt from prohibition[3]. Without going into the details, the main ideas of the reform can be summarised as follows:

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2 See <http://ec.europa.eu/competition/state_aid/register/>.

3 These are the following: SME investment and employment aid; Aid for promoting female entrepreneurship; Consultancy aid in favour of SMEs; Aid for SME participation in fairs; Aid in the form of risk capital; Aid for research and development projects; Aid for technical feasibility studies; Aid for industrial property rights costs for SMEs; Aid for research and development in the agricultural and fisheries sectors; Aid for young innovative enterprises; Aid for innovation advisory services, and for innovation support services; Aid for the loan of highly qualified personnel; Training aid; Aid for the recruitment of disadvantaged workers in

- European Community law no more specifies sectors where state aid is generally compatible with the single market.
- Instead of the sectoral approach, the exemption system rather *helps realise the various horizontal objectives of the EU*. These include supporting small and medium sized enterprises, improving employment and training, fostering the re-integration into society of certain underprivileged social groups, saving energy and protecting the environment.

All these are *in line with the Lisbon Strategy*, originally drafted in 2000, as it highlights employment, the competitiveness of enterprises, and the development of the knowledge society (EP 2000).

2. The Ongoing Reform of EU State Aid Regulation

The state aid reform launched in 2005 is based on a Commission proposal with the title: *State Aid Action Plan – Less and more targeted state aid: a roadmap for state aid reform 2005–2009* (EC 2005b). The Commission has organised the major steps of the reform around the new set of objectives as defined by the restarted Lisbon Agenda (EC 2005a). According to this, state aid in the future will have to serve the dual objectives of *growth and employment*. In line with this effort, the document specifies the following key areas that state aid reform should focus on:

- Targeting innovation and R&D to strengthen the knowledge society;
- Creating a better business climate and stimulating entrepreneurship;
- Investing in human capital;
- High quality services of general economic interest;
- Better prioritisation through simplification and consolidation;
- A focused regional aid policy;
- Encouraging an environmentally sustainable future;
- Setting up modern transport, energy, information and communications technology infrastructures.

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the form of wage subsidies; Aid for the employment of disabled workers in the form of wage subsidies; Aid for compensating the additional costs of employing disabled workers; Regional investment and employment aid; Aid for newly created small enterprises in assisted regions; Investment aid to go beyond Community standards for environmental protection; Aid for the acquisition of transport vehicles which go beyond Community environmental standards; Aid for the early adaptation to future Community environmental standards for SMEs; Investment aid in energy savings measures; Investment aid in high efficiency cogeneration; Investment aid for the promotion of energy from renewable energy sources; Aid for environmental studies; Aid in the form of reductions in environmental taxes.

Outside the specified key areas the document emphasises the need to improve the efficiency of EU-level governance, but also claims that this has to be accompanied by sharing responsibility with the Member States. The document argues that the defined targets can only be reached by downsizing bureaucracy, simplifying procedures, increasing transparency of aid schemes and executing a more targeted implementation.

Of the Commission's proposals, *a widely organised, open consultation* was carried out in the course of 2005–2006, with the participation of Member States, professional bodies, EU level representative organisations and experts. As a result, a report was drafted, summarising the findings of the consultation (EC 2006). According to this report, the participating parties, on the one hand affirm that the reform enjoys widespread support. *Reducing administrative burdens* was underpinned by the greatest consensus, considered as inevitable, due to global challenges, if the EU is to successfully compete with its global rivals. It was also stated that, in the course of the reform, it is crucial that the state aid regulation scheme is formed in line with other Community policy objectives (e.g. the financial perspective, cohesion policy, environment, R&D).

The, professionally, most relevant proposal was that *the 'more economic approach'*, recently applied in competition policy (see Budzinski 2007, BKA 2007), *has to be implied to state aid as well* (this is advised by: e.g., Heidhüs, Nitsche (2007), and Haukap (2007)). In order to do so, it is necessary to discover the effects and interactions between market failures and state aid. This requires more deep knowledge and analysis (an ideal 'textbook' for this is the 2008 report of the German Monopolkommission, MK 2008).

The next step of the reform was the organisation of a conference in Brussels, in November 2008[4]. The primary aim of this conference was to draft a proposal for a regulation based on the proposals and consultation, thus providing the new framework for state aid regulation. The conference originally specified challenges like climate change, globalisation or the need for innovation. But *the events of the fall of 2008 rapidly changed the picture,* and, at the time of the conference, the financial and economic crisis, by then penetrating Europe, appeared to be the major challenge.

3. The Financial and Economic Crisis and the Reform Process

Obviously, the financial and economic crisis required rethinking of the state aid policy. Neither the Treaty, nor the secondary legislation contains any measure that allows the actors to ignore the strict rules in time of a financial and/or

[4] The program and the presentations of the conference are available at: <http://ec.europa.eu/competition/state_aid/conferences/21112008.html>.

economic crises, except for Article 107, Paragraph (3), Passage b) where it states that "aid to promote the execution of an important project of common European interest, or to remedy a serious disturbance in the economy of a Member State" shall be compatible with the single market.

The first manifestation of the Commission's standpoint in this regard was a speech delivered by the then Commissioner Neelie Kroes in October, 2008 (Kroes 2008). She pointed out that the Commission approves of the Member States' interventions to prevent financial institution's bankruptcy, in order to avoid the widely known negative consequences of these but, at the same time, reminds Member States of the general prohibition of state aid, and strongly recommends that state aid should address the banking sector only, by *providing the smallest aid possible*, and that such mechanisms should by no means become routine in other sectors. She explained that, from the viewpoint of the Competition Directorate General, the tool bringing long-term results in tackling the crisis is not state aid, but the restarting of markets, as early as possible.

3.1 Crisis Management Proposals of the European Commission

Following the unfolding of the crisis, the European Commission was rather quick in presenting its own crisis management plan on November 26, 2008. This was *The European Economic Recovery Plan* (EC 2008a). The slogan of the plan already says that "the time to act is now" (EC 2008a: 3), and this time the Commission did indeed put a *quick, practical and operative plan* on the Member States' table.

The starting-point of the plan is the idea that, *in times of crisis, governments compete with one another*. As a proof of the operative attitude, the document highlights the fact: crisis is an opportunity for action. Accordingly, the *two pillars of the plan* are:

1. Purchasing power has to be increased.
2. Short-term actions have to serve the long-term strengthening of European competitiveness.

The social and economic tools to be applied have to be designed and introduced *in favour of new financing schemes for small and medium sized enterprises, the reduction of administrative burdens and the modernisation of infrastructure. In the fight against the crisis, the EU has to build on its own existing strengths.* Among these, the most important are: effective coordination, the credible framework provided by the Stability and Growth Pact and the Lisbon Strategy, the euro being an inevitable condition of stability; with the so-called 'smart measures' in favour of innovation and the protection of the environment.

Why is the Lisbon Strategy relevant in crisis management? We can see that the four objectives laid down there (people, enterprises, infrastructure and energy; research and innovation), remain relevant in the crisis. Nevertheless, these appear to be the key intervention areas of crisis management. *In connection with the crisis, the main objectives of the Lisbon Strategy are highlighted repeatedly*.

In order to achieve the objectives of the plan, *all political tools (fiscal, structural, financial) and external action have to be implemented*. This intention of the Commission was, at the time of the publication of the plan, widely supported by experts and interested parties, according to a global survey (Fort, Pesce 2009).

So, the stabilising and demand-raising role of fiscal policy further increases. The common budget of the EU itself works as an automatic stabiliser; moreover, the Commission alone has implemented instruments for tackling the crisis (e.g., EC (2009a)). *However, fiscal expansion must not undermine the level of the single market achieved so far, nor EU-level competition;* that is, the major achievements of the EU integration. *This is the meeting point of state aid regulation and EU crisis management.*

The recovery plan also points out that budgetary incentives at Member State level *may only be applied temporarily;* in the medium term, balance must be the objective. The Stability and Growth Pact remains valid, not only in legal, but also in economic terms (this has been emphasised by Csaba (2006) for years). Nevertheless, in the course of 2009, as many as 18 Member States have come under excessive deficit procedure, and 'the club' was enlarged by 5 more Member States in 2010[5] (Table 1). This is more than the number of procedures carried out all together since the 1999 introduction of the Pact (Table 2). The first wave of reports on excessive deficits was in February 2009, the second one in May but a third one followed in October of that year. More than half of the Member States under the procedure had reached the point of not being able to keep their budget deficits under the limit by then. The growth of budget deficits due to the crisis continues in 2010, and *we still cannot say that the process is over*. At this point, *25 of the 27 Member States are under excessive deficit procedure* (with Estonia and Sweden being the exceptions). The EU level aggregated fiscal position has worsened considerably, and the financing need of Member States has increased to an even greater extent (ECB 2009). Regarding the new excessive deficit procedures of 2010, it is evident that the tendency has not turned yet.

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5 This means that all these countries' budget deficits have exceeded the allowed 3 per cent limit, defined as a percentage of the GDP.

Tab. 1: Current excessive deficit procedures

Country	Date of the Commission report (Art.104.3/126.3)	Council Decision on existence of excessive deficit (Art.104.6/126.6)	Current deadline for correction
Bulgaria	12 May 2010		
Denmark	12 May 2010		
Cyprus	12 May 2010		
Luxembourg	12 May 2010		
Finland	12 May 2010		
Austria	7 October 2009	2 December 2009	2013
Belgium	7 October 2009	2 December 2009	2012
Czech Republic	7 October 2009	2 December 2009	2013
Germany	7 October 2009	2 December 2009	2013
Italy	7 October 2009	2 December 2009	2012
The Netherlands	7 October 2009	2 December 2009	2013
Portugal	7 October 2009	2 December 2009	2013
Slovenia	7 October 2009	2 December 2009	2013
Slovakia	7 October 2009	2 December 2009	2013
Poland	13 May 2009	7 July 2009	2012
Romania	13 May 2009	7 July 2009	2012
Lithuania	13 May 2009	7 July 2009	2012
Malta	13 May 2009	7 July 2009	2011
France	18 February 2009	27 April 2009	2013
Latvia	18 February 2009	7 July 2009	2012
Ireland	18 February 2009	27 April 2009	2014
Greece	18 February 2009	27 April 2009	2014
Spain	18 February 2009	27 April 2009	2013
UK	11 June 2008	8 July 2008	financial year 2014/15
Hungary	12 May 2004	5 July 2004	2011

Source: http://ec.europa.eu/economy_finance/sgp/deficit/countries/index_en.htm, as of July 15, 2010

It is important to note that *not all Member States were on the same starting position at the unfolding of the crisis*. As the Commission says, "those that took advantage of the good times to achieve more sustainable public finance positions and improve their competitive positions have more room for manoeuvre now" (EC 2008a: 10). *All in all, the initial fiscal position is decisive, regarding the room for fiscal crisis management.*

Tab. 2: Closed excessive deficit procedures, 2004–2008

Country	Date of the Commission report (Art.104.3)	Council Decision on closure of excessive deficit (Art.104.12)
Poland	12/05/2004	08/07/2008
Portugal	22/06/2005	03/06/2008
Italy	07/06/2005	03/06/2008
Czech Republic	12/05/2004	03/06/2008
Slovakia	12/05/2004	03/06/2008
Cyprus	12/05/2004	11/06/2006
Malta	12/05/2004	16/05/2007
United Kingdom	21/09/2005	12/09/2007
Greece	19/05/2004	16/05/2007
The Netherlands	28/04/2004	07/06/2005
Germany	19/11/2002	16/05/2007
France	2/04/2003	30/01/2007
Portugal	24/09/2002	11/05/2004

Source: http://ec.europa.eu/economy_finance/sg_pact_fiscal_policy/excessive_deficit9109_en.htm, as of October 26, 2009

The recovery plan recites some basic economic theses and recommends that the Member States consider them. We have selected some of these, without any further comment, as we feel they speak for themselves:

- *Government expenditure has a short-term effect on demand* so, on the expenditure side, only short-term, temporary measures are justified.
- *State guarantee* is useful in cases where access to credit and loans is limited, and where this serves as a balance to the lack of turnover capital.
- *Well designed* financial incentives may, *at the same time, serve long-term objectives* (e.g. energy efficiency).
- Incentives to promote demand may only bring long-lasting results if accompanied by *structural reforms*. The economy's *adjustment capacity* is the key success factor for a rapid recovery.
- The purchasing power of consumers can only be increased in a sustainable manner if *there is an improvement in the functioning of markets*.
- *Competitiveness problems have to be addressed immediately*.

It is worth studying the 2009 Spring Forecast of the European Commission (EC 2009b), as this is the document in which the Commission examined the economies of the Member States for the first time after the publication of the recovery plan. In addition to the increase in budget deficits, the Commission also highlights the risks inherent in the growth of government debts. It also warns about risky structural disproportions, in the case of some Member States (e.g. Greece, Latvia and Hungary). Regarding the export-oriented Member States (Germany, Slovenia, Slovakia), the key to getting out of the crisis will be the restarting of the engine of the global economy. It was predictable back then, already, that the risk of an economic downturn is the smallest in the case of Poland.

3.2 The Temporary Community Framework

Following the outbreak of the crisis, Member States' willingness to intervene obviously increased. The necessity of this, as shown above, was acknowledged by the Commission as well. However, it was crucial that all these interventions are kept in line with the EU's state aid regulation. The legal basis was the passage of the Treaty referred to above. The Commission, consequent to its own plan, was quick in acting in this field also: on December 17, 2008 a communication from the Commission was released, according to which, Member States are allowed to implement temporary measures to tackle the crisis (EC 2008b).

The temporary community framework established by the Commission is based on the recovery plan. First, it states that aid provided for the banking sector *needs to be well targeted.* Still, besides acknowledging the harmful effects of the crisis spreading over the real economy, it draws attention to the harmful effects of state aid and, consequently, to the need for cooperation: "In the current financial situation, Member States could be tempted to go it alone and, in particular, to wage a subsidy race to support their companies. Past experience shows that individual action of this kind cannot be effective and could seriously damage the internal market" (EC 2008b: 1.2).

The Commission *provides ideas* for introducing general systems that, by being available for all, *are not considered state aid*, and thus are neither prohibited nor compulsory. These may be, for example, to provide favourable employment conditions, or to promote the consumption of environmentally friendly products.

In the communication, the Commission *lists the possibilities provided by the General Block Exemption Regulation* adopted in the Summer of 2008 (see above), that Member States are entitled to apply without the approval of the Commission, as a substantial element of the block exemption is the legal institution of automatic exemption.

The communication also deals with state aid falling under Article 107 (at that time Article 87), Paragraph (3), Passage b) of the Treaty aiming at "remedying a serious disturbance", which is, thus, compatible with the single market. As the communication states: "in this context, the Commission considers that, beyond emergency support for the financial system, the current global crisis requires exceptional policy responses" (EC 2008b: 4.1). The Commission drafts the following measures accordingly:

- The upper limit of 200,000 EUR defined by the so-called 'de minimis' aid (support of small scale) is temporarily increased to 500,000 EUR.
- A wider range of state guarantee schemes is temporarily compatible with the Treaty.
- Similarly, possibilities for lending at state supported interest rates have also increased.
- Regarding environmentally friendly products, until December 31, 2010, a wider range and greater amount of support is allowed.
- State intervention possibilities have increased in the field of risk capital schemes.
- During the crisis, Member States are allowed to provide short-term export-credit assurances to enterprises.

Non-exempt measures foreseen by Member States have to be handed into the Commission for approval, before their implementation. The latest summary of these was published on June 26, 2010[6], but the Commission has examined some more cases since then[7]. We can see that, until the date above, the Commission has examined 164 applications[8] regarding their financial sectors, and 83 targeting

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6 State aid: Overview of national measures adopted as a response to the financial/economic crisis. See <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/284& format =HTML&aged=0&language=EN&guiLanguage=en>.

7 State aid: Commission authorises extension of bank support schemes in Ireland, Spain, Denmark and Hungary. Reference: IP/10/854, Date: 29/06/2010

State aid: Commission approves Spanish restructuring aid for Caja Castilla-La Mancha. Reference: IP/10/855, Date: 29/06/2010

State aid: Commission clears extension of bank support measures in The Netherlands, Slovenia, Greece and Poland. Reference: IP/10/864, Date: 30/06/2010

State aid: Commission approves restructuring of Austrian bank BAWAG. Reference: IP/10/865, Date: 30/06/2010

State aid: Commission endorses €45 million aid to Deutsche Solar AG for solar wafer plant. Reference: IP/10/897, Date: 06/07/2010

State aid: Commission authorises €3 million compensation for supplementary pension liabilities of Finnish shipping company Arctia Shipping Oy. Reference: IP/10/898, Date: 06/07/2010

State aid: Commission approves UK pension scheme NEST. Reference: IP/10/899, Date: 06/07/2010

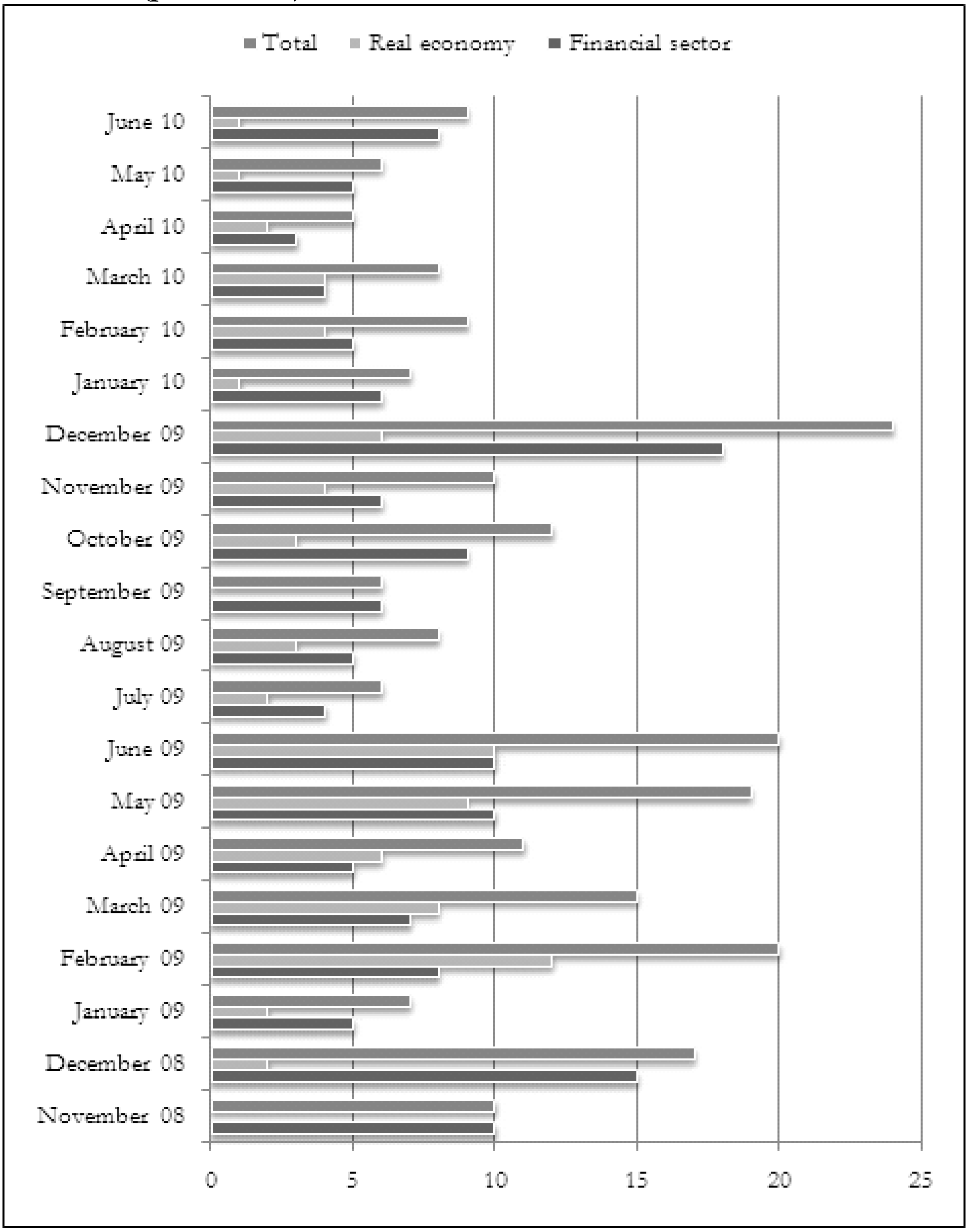
State aid: Commission authorises €28.7 million aid to Liebherr for investment project in Mecklenburg-Vorpommern. Reference: IP/10/900, Date: 06/07/2010

State aid: Commission approves restructuring plan of Bank of Ireland. Reference: IP/10/954, Date: 15/07/2010

8 60 of these are extensions or amendments to existing ones.

their real economies. The Commission did not raise any objections to these, though in 9 cases it set up conditions for approval. Figure 1 shows that, regarding the applications, *Member States have shown the greatest activity in the first half of 2009, though the peak so far has been December 2009*, with 24 applications.

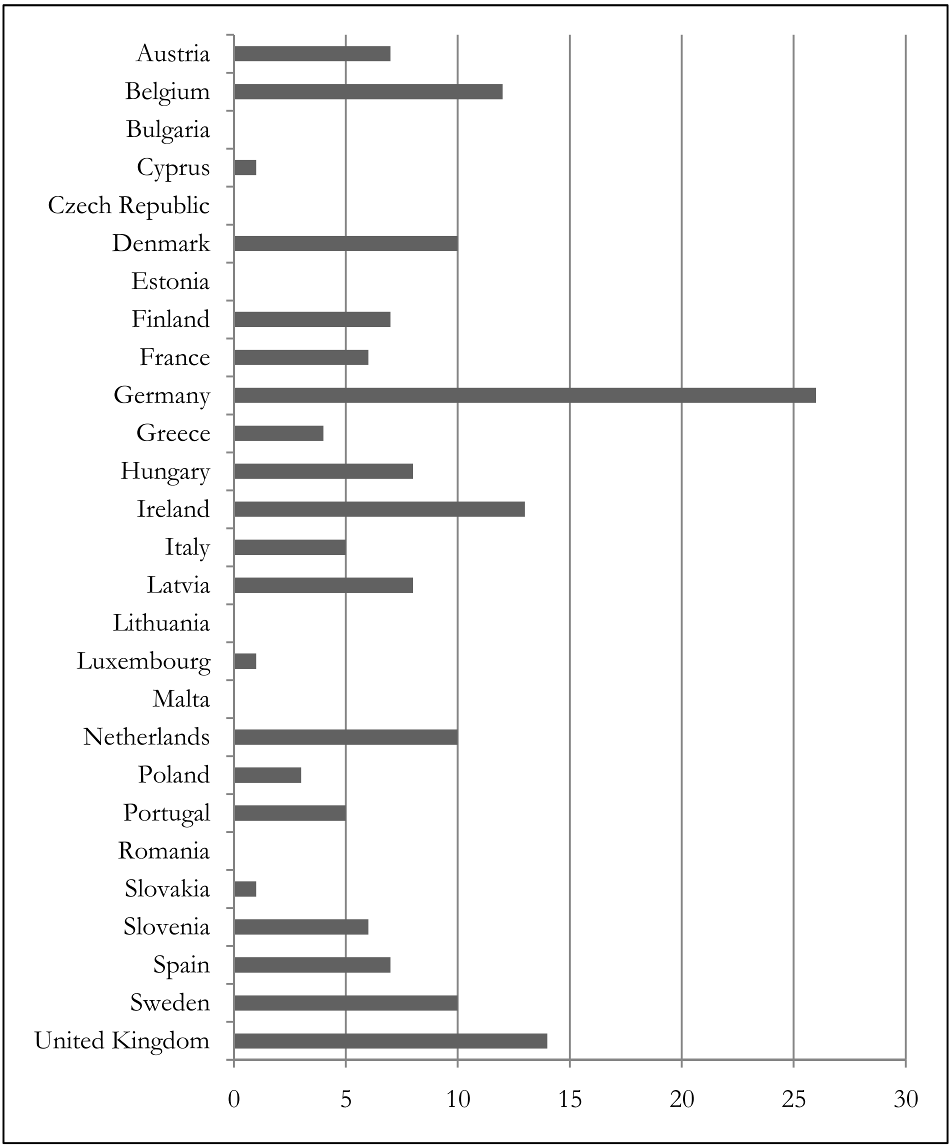
Figure 1: Monthly number of measures implemented by Member States (piece, total)



Source: own calculations based on <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/284&format=HTML&aged=0&language=EN&guiLanguage=en>.

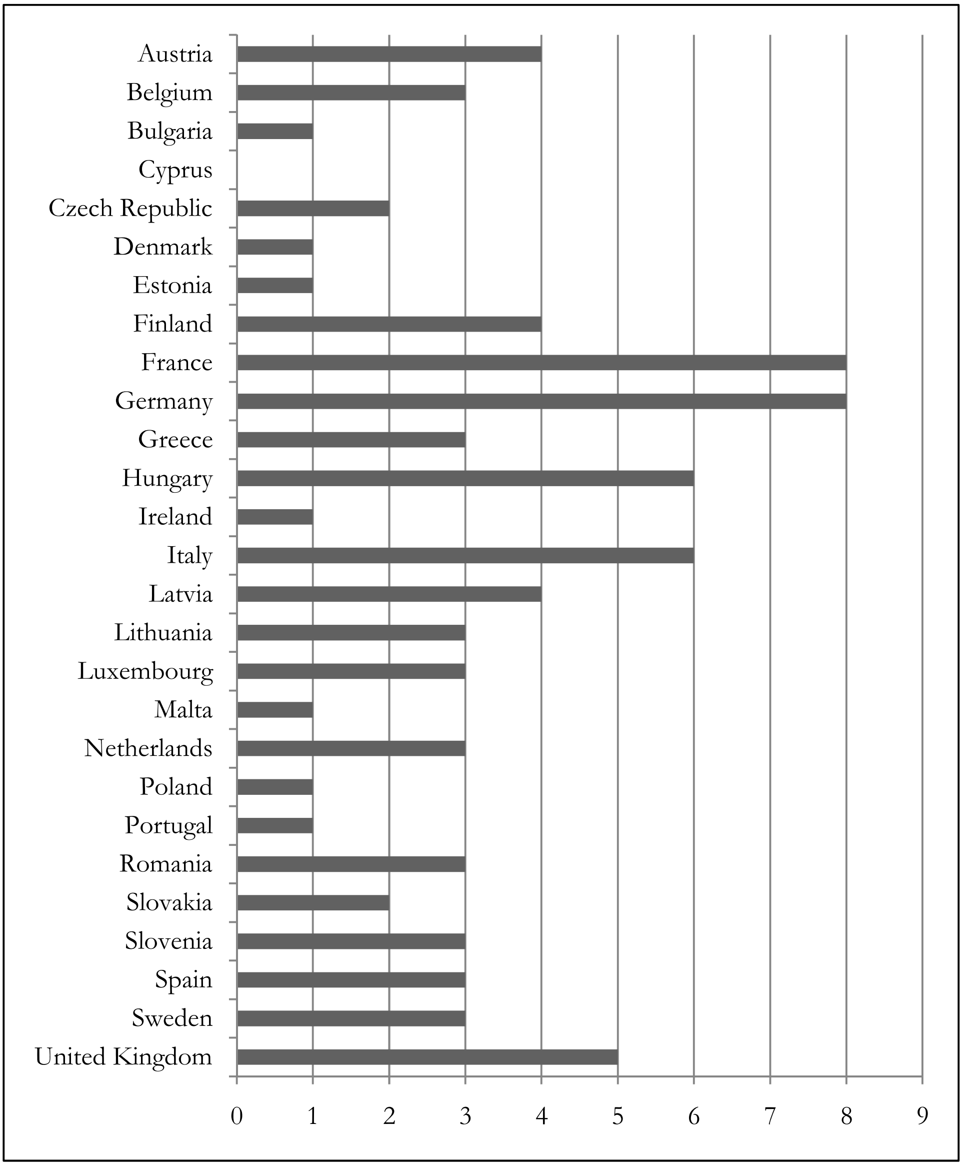
Member States have performed different involvement in applying measures under the temporary scheme (Figure 2–4). While Germany, for example, has implemented 38, France, Ireland or Hungary have applied for only 14. On the other end of the scale, Bulgaria, Cyprus, Estonia and Malta have introduced one measure each.

Figure 2: Number of measures adopted for the financial sector by Member States (piece, as of June 26, 2010)



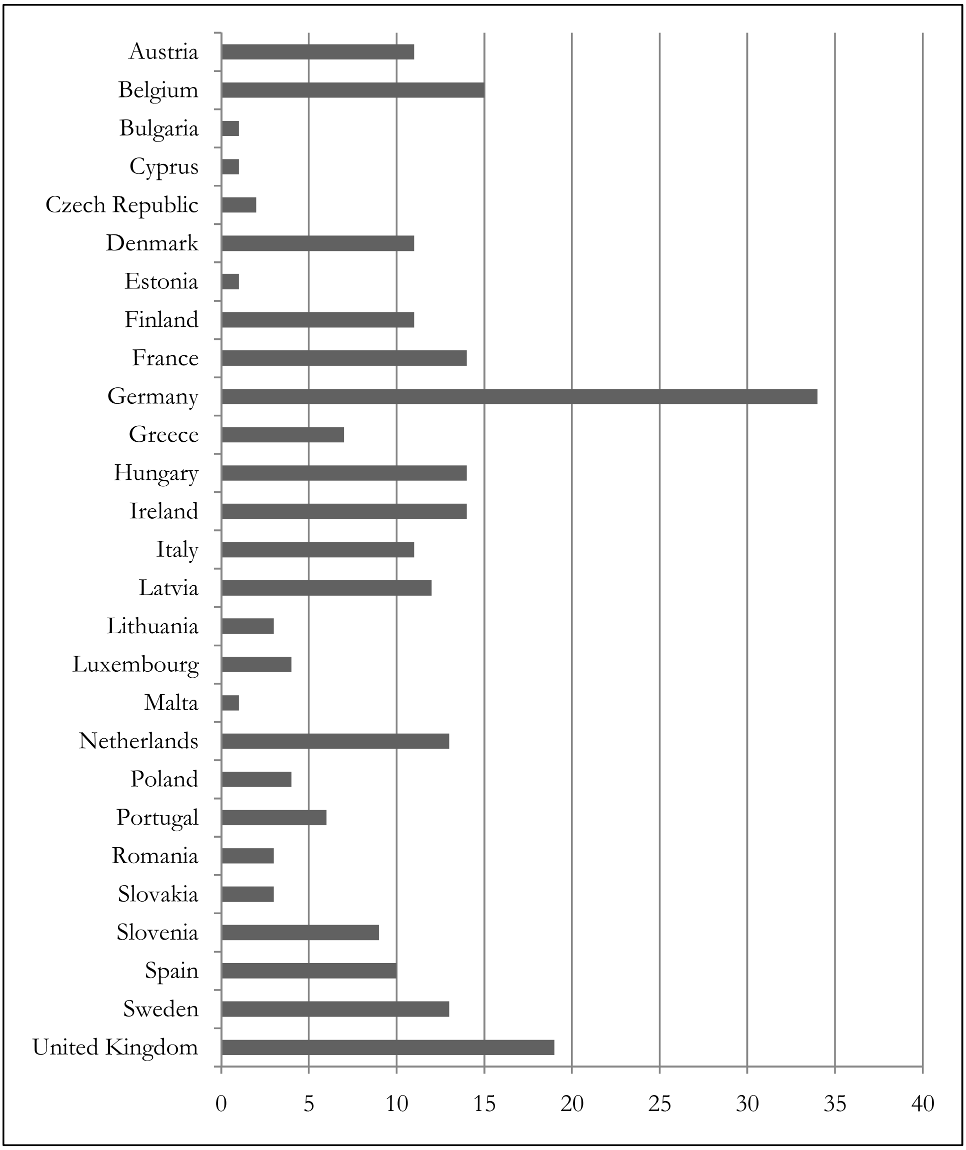
Source: own calculations based on <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/284&format=HTML&aged=0&language=EN&guiLanguage=en>.

Figure 3: Number of measures adopted for the real economy by Member States (piece, as of June 26, 2010)



Source: own calculations based on <http://europa.eu/rapid/pressReleases Action.do?reference=MEMO/10/284&format=HTML&aged=0&l anguage=EN&guiLanguage=en>.

Figure 4: Number of measures adopted by Member States (piece, total, as of June 26, 2010)



Source: own calculations based on http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/284&format=HTML&aged=0&language=EN&guiLanguage=en

4. What is to Come?

Since Autumn, 2009, following the immediate management of the crisis, more and more attention is being paid to the *crisis exit strategies*, in all the policies of the EU (Hübner 2010). As for state aid, the key points of a possible crisis exit strategy were given in November 2009 by Neelie Kroes (2009) in a speech which had the title 'Better targeted aid is the name of the game'. She emphasised the following:

- The temporary framework to remain in force until December 31, 2010.
- The adopted measures normally have their time needs for implementation.
- States are likely to launch fiscal incentives rather easily, but it is usually quite hard to put an end to these.
- All in all, the worsening of fiscal positions is also taken into account; the target for 2010, or rather for the second half of it, is that Member States slowly pull back from the financing of both the financial sector and the real economy.

Although the recovery plan and the temporary framework only allows such an increase in state participation for a given period of time (that is, until December 31, 2010), it is questionable at the moment, especially in light of the new wave of applications in the first half of 2010, whether Member States have used state aid for crisis management only temporarily, and that they will be able to draw back from the economy in the time to come. Two further relevant questions to be answered in the medium term are the following:

- How have these measures affected European markets, and market actors?
- When will the worsening of fiscal positions end, and how will these be corrected?

All this shows that *the interventionist crisis management of EU Member States has not yet come to an end*. That is, we still have to wait for the era of 'less and more targeted' state aid. The first positive sign of having left behind crisis management based on fiscal incentives, and having reached the post-crisis fiscal stability of the European Union, will be when Member States' budgets will be near-to-balanced again, as well as the number of ongoing excessive deficit procedures having decreased considerably. But, as we can see, this has not arrived yet.

Conclusion

Having had a closer insight into what activities the Member States of the European Union have carried out in the field of state aid, we can draw the conclusion that the financial and economic crisis has substantially changed the tendencies outlined by the 2005 state aid reform. The earlier intention of the EU to have less and better targeted state aid in the common market has definitely not come true; at least not yet. The extent of state participation in the economy has considerably risen in connection with the management of the crisis: practically all Member States have started to implement interventionist crisis management strategies, mostly in the form of general measures, underpinned by fiscal incentives.

This Europe-wide attitude to the crisis has had some serious consequences. Some of these are discernable already; others will have to be examined over the longer term. What can be seen already is that the fiscal positions of the Member States have worsened greatly, and that the state aid department of the Competition Directorate General has had a lot to do since November 2008. The overall assessment of the effects of the adopted measures on European markets remains to be seen.

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