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State aid in Poland – the realization of the Lisbon Strategy

Abstract

This paper analyses the realization of the Lisbon Strategy in Poland concerning state aid granted in the period 2004-2005, especially commitments to:

- *reducing the level of state aid in relation to GDP in the period 2004–2005,*
- *redirecting state aid from sectoral objectives towards horizontal and regional ones,*
- *changing the forms of state aid – from passive to active ones.*

The analysis presented in this paper proves that changes in the volume, allocation directions and forms of state aid awarded in Poland in the period 2004-2005 are fully compatible with the guidelines of the Lisbon Strategy.

1. Introduction

The state aid policies in the EU are guided by the goals set by the Lisbon Strategy in 2000 (formulated in the Action Plan aimed at the economic growth and employment). According to these guidelines the member states are committed to[1]:

- reducing the level of state aid in relation to GDP;
- limiting state aid that distorts the competition (aid for rescuing and restructuring and for "sensitive sectors");

[1] W. Karpińska-Mizielińska, T. Smuga, *Pomoc publiczna w Polsce na tle krajów Unii Europejskiej*, "Gospodarka Narodowa" 2005, nr 3, s. 68.

- redirecting state aid from sectoral objectives towards horizontal and regional ones (mainly the development of small and medium-sized enterprises, training programmes, environmental protection and R&D sector), which would stimulate the economic and social development;
- changing the forms of state aid – from passive to active instruments.

The aim of this analysis is to show to what extent the guidelines set by the Lisbon Strategy are realized in Poland. Moreover, the paper presents the comparison of the size, structure and forms of state aid in Poland (except agriculture, fisheries and transport[2]) to other EU member states. The analysis was performed on the basis of reports compiled by the Office for Competition and Consumer Protection (UOKiK) on the state aid granted to entrepreneurs in Poland as well as the reports prepared by the European Commission "State Aid Scoreboard" which are an exhaustive source of information on state aid granted in the EU member states.

The first part of the analysis deals with the rules and regulations on granting state aid in the European Union. The author presents the kinds of state aid forms and the changes in its allocation.

2. Rules on state aid in the EU

As some economic entities can be favoured over others in the state aid allocation, it can be used as an instrument protecting local market against international competition (including the competition from other EU states) as well as an instrument for supporting competitiveness of local businesses in international markets (including the EU common market). Undoubtedly, the distortion of free competition can jeopardize the cohesion of the single market. As K. Gawlikowska-Huckel, A. Zielińska-Głębocka[3] claim: "In the process of European integration aid granted by some member states to their companies, economic sectors or regions can be perceived as a source of market barriers for companies from other countries and thus it can jeopardize the cohesion of the single common market."

Although aid granted for some businesses often enables the survival of the weaker ones, it is widely assumed that some interventionist actions undertaken by the state are necessary to accomplish goals that would not be possible to

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[2] These sectors are excluded from the analysis, because they are regulated by special rules.

[3] K. Gawlikowska-Hueckel, A. Zielińska-Głębocka, *Integracja europejska. Od jednolitego rynku do unii walutowej*, Wydawnictwo C. H. Beck, Warszawa 2004, s. 137– 138.

realize in standard market conditions[4]. State aid can help to overcome market imperfections, such as external effects (which can justify granting aid for research and development and environmental protection), or imperfect competition (monopolization processes can be an argument for helping small and medium-sized enterprises[5]). State aid can be used as an instrument supporting the economic and social development, building infrastructure, the development of problematic regions and enhancing human capital[6].

It is commonly known that state aid can jeopardize the cohesion of the internal market, however, in exceptional cases it is justified. The EU law precisely stipulates the rules for granting this aid, defining in detail its availability and allocation procedures[7].

The term 'state aid' has not been explicitly defined in the European competition policy. The authors of the Treaty establishing the European Community had recognized this risk and enumerated the cases in which state aid is incompatible with the common market. According to the Treaty and the European Court of Justice regulations it applies in the following situations[8]:

1. Transfer of state resources. These are measures involving a transfer of state resources (including national, regional or local authorities) or aid granted by a private or public body appointed by the State.
2. Economic advantage. The aid should constitute an economic advantage for the business, which means it is privileged in relation to other businesses and its economic condition improves.
3. Selectivity. State aid must be selective and thus affects the balance between certain firms and their competitors. "Selectivity" is what differentiates state aid from so-called "general measures" i.e. measures which apply without distinction to all firms in all economic sectors in a member state).
4. Effect on competition and trade, state aid distorts or threatens to distort competition and trade between member states.

[4] E. Kaliszuk, *Reguły konkurencji skierowane do władz państwowych*, [w:] *Unia Europejska. Przygotowania Polski do członkostwa*, red. E. Kawecka-Wyrzykowska, E. Synowiec, IKiCHZ, Warszawa 2001, s. 187.

[5] On "market failures" see A. Wojtyna, *Nowoczesne państwo kapitalistyczne a gospodarka. Teoria i praktyka*, PWN, Warszawa 1990, s. 41–46.

[6] K. Gawlikowska-Hueckel, A. Zielińska-Głębocka, *op. cit.*, s. 136.

[7] W. Burzyński, W. Karpińska-Mizielińska, T. Smuga, *Wpływ pomocy publicznej na konkurencyjność przedsiębiorstwa,* "Gospodarka Narodowa" 2003, nr 3, s. 69.

[8] E. Kaliszuk, *op. cit.,* s. 188-189.

State aid can assume various forms, of which the most common are financial and material subsidies, capital investment subsidies, loans at below the market rates and interest relief, guarantees granted on advantageous terms, accelerated depreciation, injections of capital, tax relief and reduced social security contributions, trade in goods and services on preferential terms[9].

The European Commission distinguishes three categories of state aid[10]:

1. Regional aid aimed at the EU regions, which lag behind economically.
2. Horizontal aid aimed at tackling entrepreneurial problems, which may arise in any industry and region and it comprises aid for small and medium-sized enterprises, aid for research and development, aid for rescue and restructuring firms in difficulties, aid to employment and training.
3. Sectoral aid aimed at businesses of selected sectors of economy (industry, services and agriculture). The most relevant sectors in this context are the following: coal, shipbuilding, synthetic fibers and automotive industry. There are also specific restrictions on granting aid to agriculture, fisheries and transport (sectors under the common policy).

Taking into consideration the above-mentioned categories, the regional aid and some forms of horizontal aid are considered the least harmful for the competition. The most controversial aid is that granted to individual entrepreneurs for rescue and restructuring – although it formally falls into the horizontal category (every entrepreneur can apply for it), the European Commission claims it has a negative impact on the common market[11]. This is why in 1999 they formulated more restrictive rules governing granting aid, which stipulate that further aid cannot be granted before less than 10 years has elapsed since the restructuring of the company. In a short-term perspective, however, the most harmful form of aid is sectoral aid.

Aid for rescue and restructuring and sectoral aid are closely related to the concept of so-called sectoral industrial policy (classical industrial policy), which has a selective character – a country itself selects companies or sectors which can benefit from it. Many contemporary economists[12] claim that traditional industrial policies protecting certain enterprises or industries against international competition are getting less and less effective in the era of globalization. Such a policy protects non-competitive local companies against the confrontation with global companies and slows down necessary structural

[9] Z. Wysokińska, J. Witkowska, *Integracja europejska. Dostosowania w Polsce w dziedzinie polityk*, PWE, Warszawa 2004, s. 142–143.

[10] Ibid., s. 144– 145.

[11] W. Burzyńska, W. Karpińska-Mizielińska, T. Smuga*, op. cit.,* s. 70.

[12] *Globalization of Industry. Overview and Sector Reports*, OECD, Paris 1996, s. 60– 61.

adjustments. To be successful in the global market companies must have an opportunity to compare themselves to the best foreign competitors. The negative impact of sectoral industrial policy may enhance already existing ineffective production and employment structures.

In the times of high mobility of production factors (the key point of globalization) the role of the state to ensure advantageous conditions for industry location is growing[13]. The state activities should thus concentrate on improving qualifications of workforce, developing new technologies and their diffusion, improving infrastructure and economic environment[14]. The above-mentioned activities are the basis of horizontal industrial policy. According to the analysis of EU competition support programmes the European industrial policy since the beginning of the 1990's has been directed horizontally, which in turn is reflected in the changes of state aid policies. The state aid guidelines formulated in the Lisbon Strategy were confirmed by the commitments undertaken at the European Council in Stockholm and Barcelona in 2002 and the subsequent guidelines of the European Commission[15].

In 2005 the Polish government accepted *Action Plan for State Aid for 2005–2010*, which is thoroughly compatible with the provisions of the Lisbon Strategy[16] The main aim of the strategy was to correlate state aid policies in Poland to the European standards and practices, which means reorientation of granting state aid in Poland from sectoral towards horizontal directions as well as limiting granted aid. The authors of the programme emphasize the point that the realization of state aid in Poland requires taking into consideration the specificity of the economic condition of the country. Hence, two specific aims were formulated:

- state aid should focus on pro-development directions;
- efficiency and effectiveness of granted aid should improve.

The state aid action plan in Poland was directed towards the enhancement of the competitiveness of Polish businesses and reorientation of state aid towards horizontal aid addressed for SMEs, modernizing business and implementing new technologies and new models of management. The programme also stressed the need for directing state aid to enterprises that need

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[13] J. H. Dunning, *Global Capitalism at Bay?*, Routledge, London–New York 2001, s. 337.

[14] A. Zorska, *Globalizacja a zmiany funkcji i polityki państwa w gospodarce*, INE PAN, Warszawa 2001, s. 56.

[15] W. Karpińska-Mizielińska, T. Smuga, *op. cit.*, s. 68.

[16] *Program polityki w zakresie pomocy publicznej na lata 2005–2010*, Ministerstwo Gospodarki i Pracy, Urząd Ochrony Konkurencji i Konsumentów, Warszawa, marzec 2005.

to be restructured and which are fully capable of functioning in the single European market.

Although sectoral aid is now considered less important in the EU, the current structure of the economy of new member states does not allow for its complete elimination. The report *Industrial Policy in an Enlarged Europe* published in 2002 by the European Commission emphasized the need for complementation of horizontal aid with sectoral actions. The basis of these actions should be monitoring the condition of sectors and consultation with representatives from all walks of life, which would result in finding the best combination of various policy instruments[17].

As sectoral aid causes significant distortion of competition in the common market, the Commission rigorously scrutinizes its allocation and no member state can realize such a programme without the Commission's approval. The restructuring programmes for disappearing industries and state aid instruments used by the countries themselves must be compatible with the state aid guidelines drawn up by the European Commission. Hence, Poland as a member state must apply for the Commission's approval for every single restructure programme it plans to implement. However, the Europe Agreement, signed in 1991, established an associate relationship between the EC and the Republic of Poland and set some rules on state aid.

The basic rules on sectoral aid were formulated in 1978 and are still binding. According to the Commission, sectoral aid is to be used to solve long-tem problems, not to keep *status quo*. Aid measures should take a degressive and temporary form and be closely related to restructure programmes[18]. Stringent control measures are to guarantee fair competition in the EU and bring back the competitiveness of the sectors taking advantage of sectoral aid. Thus aid for investments that might increase the production potential in a given country is strongly prohibited.

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[17] *Industrial policy in an Enlarged Europe*, COM (2002) 714 za: J. Taraszkiewicz, *Zmiany w polityce wspierającej przemysł stoczniowy Unii Europejskiej. Polski przemysł stoczniowy*, "Wspólnoty Europejskie" 2004, nr 12, s. 29.

[18] Z. Wysokińska, *Reguły pomocy publicznej na jednolitym rynku europejskim a pozycja regionów. Przykład regionu łódzkiego*, [w:] *Polityka gospodarcza Polski a szanse rozwoju podmiotów gospodarczych regionu łódzkiego,* red. S. Rudolf, PTE, Oddział w Łodzi, Łódź 2005, s. 45.

3. The size, forms and structure of state aid in Poland

Under the provisions of the Lisbon Strategy and subsequent guidelines of the European Commission, the value of state aid awarded to businesses in Poland in absolute terms and in relation to GDP is gradually reduced (see Table1).

Table1. State aid awarded in Poland between 2001–2005

Year	2001	2002	2003	2004	2005
Total state aid (in million PLN)	11194,80	10277,60	28627,50	16400,6	4795,1
Total state aid less agriculture, fisheries and transport (in million PLN)**	n/a*	n/a	n/a	8809,3	3646,2
Share of total state aid as % of GDP	1,5%	1,3%	3,5%	1,9%	0,5%
Share of total aid less agriculture and transport as % of GDP	n/a	n/a	n/a	1,0%	0,4%

*- not available.

** data from the period between 2001–2003 are not available because of changes in methodology.

Source: *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2004 roku,* UOKiK, Warszawa, listopad 2005, s. 9, *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2005 roku*, UOKiK, Warszawa, grudzień 2006, s. 8.

The significant reduction in the size of state aid can be observed since 2004, i.e. Poland's accession to the European Union. In the period 2003-2005 total state aid declined from PLN 28627.50 m to 4795.1 m. The year 2003 was exceptional as prior to Poland's accession the size of aid was extremely huge. It was connected mainly with the necessity of implementing legal measures, enabling the improvement of competitiveness of Polish economic entities[19]. Before Poland's accession to the EU the size of state aid was growing – from PLN 11194.80m in 2001 to 28627m in 2003.

Since the research methodology used in the state aid measurement in Poland was altered, it is not possible to state precisely how its size changed between 2001-2005 excluding agriculture and transport. The reports on state aid compiled before 2003 by The Office for Competition and Consumer Protection (UOKiK) did not provide distinction between the size of total state aid and state

[19] W. Karpińska-Mizielińska, T. Smuga, *op. cit.,* s. 69.

aid except agriculture, fisheries and transport. However, it can be observed that between 2004-2005 state aid except agriculture and transport also declined in absolute terms as well as in relation to GDP.

Table 2. State aid awarded in the EU-25 (less agriculture, fisheries and transport), 2005

Country	Total state aid (in billion euro)	State aid (in relation to GDP)
EU-25	45,1	0,42
EU-15	42,2	0,41
EU-10	2,9	0,52
Belgium	0,7	0,23
Czech Republic	0,4	0,39
Denmark	1,1	0,52
Germany	15,2	0,68
Estonia	0,0	0,13
Greece	0,3	0,14
Spain	3,3	0,36
France	6,5	0,38
Ireland	0,4	0,26
Italy	5,3	0,37
Cyprus	0,1	1
Latvia	0,0	0,23
Lithuania	0,0	0,12
Luxemburg	0,0	0,15
Hungary	0,9	1,08
Malta	0,1	2,61
Netherlands	1,2	0,2
Austria	0,6	0,24
Poland	0,9	0,37
Portugal	1,0	0,65
Slovenia	0,1	0,36
Slovakia	0,2	0,64
Finland	0,6	0,38
Sweden	2,6	0,91
United Kingdom	3,5	0,2

Source: *State Aid Scoreboard – autumn 2006 update,* Brussels, 11.12.2006, COM (2006) 761, final, s. 8.

The significant reduction of state aid in Poland after the EU accession was the reason for placing Poland among the member states that were awarded the smallest size of state aid in relation to GDP. This measure guarantees the most reliable comparison of data between the states in question. In 2005 in Poland the state aid measure (except agriculture and transport) in relation to GDP was below the average level of the EU-15 as well as below the EU-10. The EU-25 countries that in 2005 were awarded less state aid than Poland (except agriculture and transport) in relation to GDP were Belgium, Estonia, Greece, Ireland, Netherlands, Austria, Slovenia, United Kingdom, Latvia, Lithuania and Luxembourg. Between 2004-2006 Bulgaria was the country with a relatively low level of state aid in relation to GDP (yearly value of state aid was 0.36 of GDP, whereas in the same period the measure for EU-25 amounted to 0.43% of GDP and 13.5% for EU-10). However, in Romania between 2002-2004 one can notice a relatively high level of state aid in relation to GDP (yearly value 1.86% of GDP)[20].

Looking at the realization of the Lisbon Strategy the changes in state aid allocation in Poland since its EU accession must be assessed positively. The share of sectoral aid in total value of awarded aid (except agriculture, fisheries and transport) declines and shifts towards regional aid – in 2004 sectoral aid accounted for 32%, whereas in 2005 for 28% of total aid (see tab.3). The gradual increase of regional aid share in total state aid (as well as the increase of regional aid value) results from the fact that national expenses in the field of state aid are supported by subsidies from the European structural funds, especially from the European Regional Development Fund[21].

As it was mentioned before, the analysis of state aid allocation procedures in Poland for longer periods of time (2001–2005) is not possible because of the alterations in the methodology of the research. However, it must be noted that the share of sectoral aid in total aid awarded in 2003 (including the analysis of agriculture, fisheries and transport sectors) was exceptionally high and increased in relation to values from 2001.

As far as sectoral aid is concerned, the biggest beneficiary is still coal mining sector; in 2005 aid granted to this sector amounted to 82.4% (except agriculture, fisheries and transport) and was allocated to cover extra costs. But it must be stressed that in absolute term aid for coal mining is declining systematically. In 2003 it amounted to PLN 17488.5 m and in 2005 PLN 863.8 m. The high volume of granted aid in 2003 was justified by the need of restructuring coal-mining industry between 2003–2005 pursuant to the act from 28 November 2003.

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[20] *Report. State Aid Scoreboard – spring 2006 update*, Brussels, 27.03.2006, COM (2006) 130 final, s. 3.

[21] *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2005 roku…*, s. 10.

Table 3. Allocation of state aid in Poland between 2001–2005 (in %)∗

Aid allocation	2001	2002	2003	2004	2005
Total	100	100	100	100	100
Horizontal aid	32,9	33,6	10,4	50,5	49,9
Sectoral aid	24,9	17,9	70,7	32,0	28,8
of which:					
iron and steel industry	1,0	0,3	10,3	0	0
shipbuilding	0,3	5,5	2,4	18,8	17,6
automotive industry	0,2	0,8	0	0	0
synthetic fibres	0,0	0,1	0	0	0
coal mining	98,1	93,3	87,3	81,2	82,4
Regional aid	0,4	4,6	2,7	9,7	21,0

∗ between 2004–2005 except aid for agriculture, fisheries and transport.

Source: *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2002 roku*, Warszawa, sierpień 2003, s. 10; *Raport o pomocy publicznej udzielonej przedsiębiorcom w 2005 roku*, Warszawa, grudzień 2006, s. 11.

In 2005 the remaining 17.6% of sectoral aid was directed towards shipbuilding sector for its restructuring (36.9% of total aid volume for the sector) and securing contracts for shipbuilding (63.1%)[22]. In absolute terms in 2005 in relation to 2004 one can notice a drop in aid for shipbuilding sector (from PLN 529.9m to PLN 184 m).

In 2005, similarly to 2004 no sectoral aid was granted to iron and steel industry. It was due to the fact that under Protocol No. 8 of the Accession Treaty on restructuring iron and steel sector, the aid was to be granted till the end of year 2003[23]. Similarly in 2004 and 2005 no aid was granted within sectoral aid to automotive and synthetic fibres industry (in 2003 both industries were granted minimal volume of national aid)

Although some positive changes in allocation of state aid in Poland have been noticed for the last two years, still share of sectoral aid in comparison to other member states is relatively high (compare tab.4). The European Commission presents the data on state aid in member states twice a year in a report called *State Aid Scoreboard*. The latest report published in December 2006[24] provides data on state aid granted in 25 member states in 2005 (before Bulgaria and Romania joined the EU). In these reports unlike the reports

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[22] Ibid., s. 11.

[23] *Program polityki w zakresie pomocy publicznej na lata 2005– 2010…*, s. 10.

[24] *Report. State Aid Scoreboard – autumn 2006 update,* COM (2006) 761 final, Brussels, 11.12.2006.

prepared by The Office for Competition and Consumer Protection (UOKiK) the regional aid is included in horizontal aid. The basis of both horizontal and regional aid is its horizontal allocation, which does not differentiate between the two sectors. However, data on sectoral aid included aid for rescue and restructuring, as these aid categories can be the major cause of competition distortion in common market.

Table 4. The allocation of state aid in EU-25 (in %), 2005, (less agriculture, fisheries and transport)

Country	Horizontal aid (1)	Sectoral aid (2)
EU-25	84	16
Belgium	100	0
Czech Republic	100	0
Denmark	97	3
Germany	81	19
Estonia	100	0
Greece	97	3
Spain	66	34
France	88	12
Ireland	74	26
Italy	96	4
Cyprus	45	55
Latvia	97	3
Lithuania	81	19
Luxemburg	100	0
Hungary	48	52
Malta	3	97
Netherlands	97	3
Austria	95	5
Poland	70	30
Portugal	26	74
Slovenia	86	14
Slovakia	61	39
Finland	97	3
Sweden	100	0
United Kingdom	91	9

(1) including aid for rescue and restructuring.

(2) including regional aid.

Source: *Report. State Aid Scoreboard – autumn 2006 update*, COM(2006) 761 final, Brussels, 11.12.2006, s. 20.

In the EU-25 horizontal aid is the prevailing type of aid – in 2005 it amounted to 84% of total state aid (excluding transport and agriculture), whereas sectoral aid was only 16%. In 2005 the highest volume of sectoral aid was observed in Malta (aimed at processing industry), Portugal (aimed at service sector), Cyprus (aimed at processing industry), Hungary (aimed at processing industry), Slovenia (aimed at processing industry), Spain (aimed at mining sector) and Poland (aimed at mining sector).

Table 5. Allocation of horizontal aid in Poland between 2001–2005

Categories	2001	2002	2003	2004	2005
Horizontal aid	100	100	100	100	100
of which:					
research and development	2,7	4,0	3,7	2,6	8,4
environment	2,3	4,1	12,2	1,1	1,7
small and medium enterprises	1,7	4,0	4,7	1,5	16,7
employment aid	3,0	6,6	10,4	12,1	67,6
training aid	13,1	10,7	2,3	0,9	4,9
rescue and restructure	63,1	69,3	66,7	81,7	0,8

Source: see Table 4.

In new member states such as Romania and Bulgaria share of sectoral aid in total state aid is significantly high – over the period 2002-2004 it accounted for 87% of total state aid in Romania and 55% in Bulgaria [25].

Although the share of horizontal aid in total aid compared to the EU-25 average is relatively low, one must notice some positive trends in allocation of horizontal aid in Poland since its EU accession. In 2004 the highest volume of horizontal aid was earmarked for rescue and restructuring (granted *ad hoc* to individual entrepreneurs), which was a part of so called "anti-crisis acts" [26]. This type of aid can be also considered the horizontal one, however, it arouses a lot of controversy in the EU[27]. Similarly, in the earlier period (2001–2003) rescue and restructure aid accounted for the highest share of horizontal aid, whereas the share of aid for R&D and the development of SMEs was relatively low.

In 2005 in relation to 2004 some positive changes in allocating aid for horizontal objectives can be noticed: less aid to rescue and restructure, much more for R&D, SMEs, employment and training programmes (compare table

[25] *Report. State Aid Scoreboard – spring 2006 update*, COM (2006) 130 final, Brussels, 27.3.2006, 13

[26] *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2005 roku…*, s. 10.

[27] W. Burzyński, W. Karpińska-Mizielińska, T. Smuga, *op. cit.*, s. 70.

below). It must be noted that over the period 2004–2005 aid of this type increased in absolute terms – aid for employment rose from PLN 537.7 m in 2004 to 1230.3 m in 2005, aid for R&D from 114.4 m to 153.1 m and aid for training from 40.4 m to 89.3 m[28].

One of the most important aims of the Lisbon Strategy is the increase of state aid earmarked for research and development[29]. In Poland the share of this type of aid in relation to the total volume of state aid (excluding transport and agriculture) compared to the other member states is relatively low (compare tab.6). In 2005 it amounted to 4% (below the EU-25 average) and was one of the lowest in the EU. The only countries with a lower share of R&D aid were Greece, Latvia, Portugal, Sweden and Slovakia. However, in 2005 the share of total state aid allocated for employment and small and medium enterprises was above the EU-25 average.

In the process of granting aid various instruments are used. As far as the transparency and effectiveness of state aid are concerned, the bottom line is the assessment what volume of aid for business entities in Poland are the direct budget expenses (capital investment subsidies, grants, preferential loans, budget guarantees) and what volume is passive form of aid, i.e. giving up financial budget obligations. The form preferred in the EU due to its transparency is active aid, mostly subsidies[30]. In 2005 the aid granted in Poland took the form of direct expenses (77.1%), rather than diminishing budget obligations (22.9%)[31], whereas in 2004 the first one amounted to only 37.7%. The shift in the form of granted aid in the period 2001–2005 (compare tab.7) is highly positive as far as the European Commission's guidelines are concerned (it must be noted, however, that the data from the analysed period are not fully comparable).

[28] *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2005 roku…*, s. 25.

[29] W. Karpińska-Mizielińska, T. Smuga, *Kierunki alokacji pomocy publicznej w rozszerzonej Unii Europejskiej*, "Wspólnoty Europejskie" 2006, nr 2, s. 25.

[30] W. Burzyński, W. Karpińska-Mizielińska, T. Smuga, *op. cit.*, s. 10.

[31] *Raport o pomocy publicznej w Polsce udzielonej przedsiębiorcom w 2005 roku…*, s. 10.

Table 6. State aid for horizontal objectives as % of total aid, 2005

	Employment aid	Regional development	Research and development	SMEs	Environment	Training	Others
UE-25	8	19	12	10	28	2	4
Belgium	5	16	20	39	10	7	3
Czech Republic	1	52	26	18	2	0	0
Denmark	42	0	4	0	47	0	3
Germany	1	18	10	3	47	0	2
Estonia	1	18	21	24	7	2	28
Greece	19	56	3	6	10	0	5
Spain	1	32	9	10	5	2	7
France	18	16	21	21	2	1	10
Ireland	12	25	12	10	2	2	11
Italy	20	27	14	20	3	9	3
Cyprus	0	4	3	1	1	6	31
Latvia	0	78	0	19	0	0	0
Lithuania	6	42	9	14	10	0	1
Luxembu rg	0	28	27	22	8	0	15
Hungary	1	28	5	4	1	0	9
Malta	0	0	0	0	0	1	2
Netherla nds	0	2	22	5	65	0	3
Austria	3	14	26	30	15	6	1
Poland	34	21	4	8	1	2	0
Portugal	4	5	1	6	0	9	0
Slovenia	15	15	24	9	15	2	7
Slovakia	0	55	1	1	0	2	1
Finland	6	12	26	7	40	0	6
Sweden	0	5	3	1	88	0	4
United Kingdom	1	8	17	16	22	7	3

Source: see Table 4.

Table 7. The form of financing public aid in Poland between 2001-2005 (in%) ∗

Year	Direct expenses (e.g. subsidies)	Reduction of budget obligationz (tax reliefs, tax write-offs)
2001	25.8	74.2
2002	38.0	62.0
2003	9.7	90.3
2004	37.7	62.3
2005	77.1	22.9

∗ in the period of 2004–2005 except agriculture, fisheries and transport.

Source: see Table 1.

The reversal of trends in state aid instruments used in Poland appeared only in 2005, thus in 2003–2005 the share of subsidies in the total volume of granted aid was quite low compared to other member states (much below the EU-25 average). Similarly, the share of subsidies was also low in the Czech Republic, Portugal, Slovakia and Sweden. Between 2003-2005 the most popular instrument in Poland was tax exemption (above the EU-25 average). In the analysed period the high share of tax exemptions was observed also in Ireland, Cyprus, Latvia, Lithuania, Hungary, Malta, Portugal, Slovakia and Sweden (compare tab.8). Among the new member states (EU-10) the lower share of tax exemptions than in Poland was observed only in Slovenia and the Czech Republic (in Estonia between 2003–2005 this form was not used at all). However, in Bulgaria in the period 2002–2004 the most popular instrument of state aid was subsidies (42.7% of the total volume), whereas in Romania this instrument accounted only for 23.7% of state aid [32].

[32] *Report. State Aid Scoreboard – spring 2006 update*…, s. 42.

Table 8. The forms of state aid in the EU in the EU-25 (in%), 2003–2005

Country	Subsidies	Tax exemptions	Equity participation	Soft loans	Tax deferrals	Guarantees
UE-25	50	40	1	3	2	3
Belgium	93	1	0	5	0	1
Czech Republic	21	11	1	1	-	66
Denmark	88	8	4	0	-	0
Germany	44	51	2	1	-	2
Estonia	82	-	-	0	-	18
Greece	71	29	-	-	-	-
Spain	50	39	1	10	-	0
France	58	31	1	8	0	2
Ireland	44	53	1	0	2	0
Italy	63	19	0	5	13	0
Cyprus	32	66	-	-	-	3
Latvia	37	56	-	7	0	1
Lithuania	27	63	4	-	6	-
Luxemburg	97	-	-	3	-	-
Hungary	36	62	1	1	-	1
Malta	24	60	-	5	9	2
Netherlands	80	3	-	1	8	8
Austria	88	-	-	10	-	2
Poland	24	52	8	5	4	7
Portugal	10	82	0	6	2	0
Slovenia	70	22	1	4	-	3
Slovakia	23	72	6	-	-	-
Finland	60	34	1	5	-	0
Sweden	22	76	0	1	-	0
United Kingdom	58	40	1	1	0	0

- no aid granted in this form.

Source: see Table 6.

4. Conclusions

The commitments undertaken by the member states in the last years in the field of state aid aim to reduce its volume, put more pressure on horizontal support and reduce the passive form of aid.

As the methodology of research method was altered, it is not possible to analyse thoroughly the size, structure and forms of state aid granted between 2001–2005. It can be noted, however, that between 2004–2005, according to the guidelines of the Lisbon Strategy, in Poland the volume of state aid (excluding agriculture, fisheries and transport) in relation to GDP was significantly reduced. This is why in comparison to other member states Poland had a relatively low level of state aid in relation to GDP.

The alterations in directions of allocation of state aid in Poland observed between 2004–2005 are fully compatible with the guidelines of the Lisbon Strategy. Although in the analysed period the reduction of share of sectoral aid in the total volume of state aid (except agriculture, fisheries and transport) was observed, in comparison to other member states the share of sectoral aid in Poland is still relatively high. This level is also high compared to "old" member states as well as new members.

In the context of the realization of the Lisbon Strategy the shifts in the forms of state aid are evaluated positively – the increase of share of subsidies between 2004–2005 and the reduction of passive forms.

The analysis presented in this paper leads to the conclusion that the changes in the volume, allocation directions and forms of state aid awarded in Poland between 2004–2005 are fully compatible with the guidelines of the Lisbon Strategy.

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