

ROMANIA'S POST-EU ACCESSION STATE AID POLICY

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Abstract

This study examines the Romania's state aid policy after the country joined the European Union (EU) in 2007. With its membership, Romania's economic and regulatory environment underwent a dramatic change, bringing its policies into compliance with EU norms and laws. This research examines several types of state aid that Romania has put in place, such as grants, tax incentives, and guarantees, with the goals of promoting economic expansion, improving competitiveness, and reducing regional disparities. The study presents the government's response to the recognised market failures and the alignment with European trends through an extensive examination of official reports and statistical data.

The results demonstrate that Romania's application of EU state aid regulations was in line with the EU framework and that the goals that many of the EU member states consider most significant are followed in the distribution of public support. The Romanian state aid policy recognises market failures (agriculture, energy savings and environmental protection, regional development) and attempts to direct public efforts to close the gaps, even though the total aid granted is not impressive when compared to developed economies and the aid's share of GDP is at a moderate level.

In order to provide a comprehensive understanding of Romania's place in the European context, an overview analysis of member states state aid disbursements from 2007 to 2022 is provided.

The paper inserts some policy recommendations to optimize state aid distribution and effectiveness, emphasizing the need for robust monitoring mechanisms, greater transparency, and alignment with broader EU objectives. This analysis provides valuable insights for policymakers, researchers, and stakeholders interested in the dynamics of state aid in Romania's post-EU accession period.

Keywords: state aid, objectives, instruments, policy, EU, Romania

Clasificare JEL: M20, M21

1. Introduction and context of the study

Romania's political and economic development reached a major turning point on January 1, 2007, when the country joined the European Union (EU). Along with prospects for economic expansion and prosperity, this EU membership additionally brought challenges in aligning with the rigorous regulatory environment of the Union. Romania's state aid policy was one of the most important areas for adjustment; it was a fundamental part of its economic governance and a crucial element in guaranteeing fair competition inside the EU single market.

State aid, defined in article 107 (1) of the Treaty on the Functioning of the European Union (TFEU) as any form of economic assistance from a government to businesses that potentially distorts competition and affects trade between EU member states, is subject to strict limitations under EU law. The primary aim of EU state aid regulations is to prevent unfair competitive advantages and to ensure a level playing field in the internal market. For Romania, adhering to these rules meant significant reforms and adjustments in its state aid policy to align with EU standards.

Romania's state aid strategy is examined in this article within the framework of its post-EU membership phase. It looks at how Romania has approached state aid over time, the difficulties it has faced, and how these policies have affected the economic climate of the country. To prepare for a thorough examination of Romania's experience, the introduction offers an in-depth review summary of the theoretical and practical components of state assistance policy inside the EU framework.

Theoretical Framework of State Aid Policy

The concept of state aid is grounded in the principles of market competition and fair trading. According to Article 107(1) of the TFEU [1], state aid is defined as “any aid granted by a member state or through State resources in any form whatsoever which distorts or threatens to distort competition by favoring certain undertakings or the production of certain goods”. This concept emphasizes the EU's commitment to prevent government interventions from having distorting effects in order to maintain a competitive internal market.

The EU's regulatory framework for state aid is designed to ensure that such interventions do not undermine the competitive dynamics of the single market. The European Commission (EC) plays a central role in overseeing state aid measures, assessing their compatibility with EU rules, and ensuring compliance. The Commission's decisions are based on a detailed analysis of the aid's impact on competition and trade, aiming to strike a balance between the legitimate use of state aid for economic development and the need to maintain a level playing field.

Romania's Transition to EU Standards

Romania's state aid policy had to be completely redesigned in order to comply with the strict requirements of the EU before it could accede. Romania had a less restrictive state aid program and more extensive government economic intervention prior to admission. During the transition, national laws had to be brought into compliance with EU rules, transparency had to be improved, and anti-distortion measures had to be put in place.

The process of aligning with EU standards involved substantial reforms in Romania's state aid legislation. The Romanian authorities had to enact and implement legislation and rules that corresponded to the EU's state aid regulations. This included revising the legal and institutional framework governing state aid, strengthening the capacity of regulatory bodies, and ensuring effective implementation and monitoring. Law no. 143 of July 27, 1999 on state aid [2] was the first step in the direction of creating the national state aid framework. It was followed by a number of regulations regarding the procedures and the compatibilities criteria specific to the types of aid granted by the authorities.

Challenges and Implementation

The alignment process was not without challenges. Romania faced several difficulties in adapting its state aid policy to EU requirements. These challenges included:

Institutional Capacity: Building the institutional capacity to manage and monitor state aid in line with EU standards was a significant challenge. The Romanian government needed to enhance the capabilities of its state aid authorities, ensuring they could effectively oversee and enforce the new regulations. For this reason, the Competition Council was granted additional power in 2004 to assess, approve, and monitor government initiatives aimed at improving the economic climate. To comply with the new rules, public grantors had to establish their own state aid division within their own organisations.

Legal Reforms: Adopting and implementing the legal reforms required to align with EU rules demanded substantial legislative and administrative changes. These reforms had to address not only the legal framework but also practical aspects such as the processes for notifying and approving state aid measures.

Economic Impact: Adjusting to the new state aid rules had implications for Romania's economic policies and strategies. The country needed to balance its economic development goals with the requirements of fair competition, ensuring that state aid was used judiciously to support growth without distorting the market. The old measures still in force had to be aligned and a process of making compatible was enforced. To be recognized as complying with EU regulations, certain measures needed to be stopped, and others were modified. Some companies were forced to renounce on the public subsidies and to rely increasingly on their own powers. A level playing field was introduced for all undertakings related to obtaining public support.

Administrative Procedures: The establishment of efficient administrative procedures for state aid notification, approval, and monitoring was essential. Romania had to develop robust mechanisms to manage these processes effectively, ensuring compliance with EU requirements. The institution of Competition Council was placed at the centre of this process and designated as the national contact point in relation with EC on state aid reform.

Impact of State Aid Policy on Romania's Economy

The implementation of EU-aligned state aid policies had significant implications for Romania's economy. The new regulations affected various aspects of economic activity, including:

Business Environment: The alignment of state aid rules contributed to a more predictable and transparent business environment. Companies operating in Romania benefited from clearer rules regarding state support, which helped reduce uncertainties related to government interventions.

Competitive Dynamics: The enforcement of EU state aid rules aimed to enhance competition by preventing distortions caused by government interventions. This had implications for market dynamics, as businesses had to compete on a more level playing field.

Regional Development: State aid has often been used as a tool for regional development. Romania's adherence to EU rules impacted how state aid was allocated for regional and local development projects, affecting the distribution of resources across different areas of the country. Due of the underdeveloped status of the majority of Romania's regions, the regional state aid was used for creation of new jobs and investments nationwide.

Investment and Innovation: The alignment with EU state aid regulations influenced investment patterns and innovation activities. The availability of state aid for research and development projects, for instance, was regulated to ensure that it did not distort competition but supported legitimate innovation efforts.

2. The methodology

The research presented in this paper is based on a combination of qualitative and quantitative approaches. Primary data was gathered from European Commission reports, Romanian government publications, and state aid scoreboards from 2007 to 2022, as indicated in the Bibliografy Chapter. Quantitative data on state aid allocations, expressed in constant 2022 euros, was analyzed to track trends and shifts in funding across different sectors. Comparative analysis was used to contrast Romania's performance with other EU member states, taking into account both absolute figures and ratios of state aid to GDP. Additionally, legislative texts such as Law no. 143 of 1999 and EU regulations (including the Temporary Frameworks for COVID-19 and the Ukraine war) were reviewed to assess compliance with EU competition policy. Graphical analysis was employed to visualize trends in state aid distribution across key economic sectors and objectives.

3. The concept of state aid and its compatibility

As previously stated, state aid is limited to public initiatives that meet all requirements set forth by TFUE. Therefore, we do not have a state assistance measure if the public measure addresses firms that do not engage in economic activities, are executed in complete conformity with market rules, are of a general nature, or are sufficient in size not to impact trade and distort competition.

The Treaty gives the EU and the courts the authority of deciding whether a measure qualifies as state aid or not. However, such a measure must be deemed compatible with the common market in order to be put into effect and the EC is the only authority given the power to assess and determine whether a state aid is compatible. The Commission established a number of specific compatibility criteria for state aid with diferent types of objectives. Over the years, the EU has

refined its approach to state aid through various frameworks and regulations to address the changing economic environment and member states' needs. Key developments include:

- The 2005 State Aid Action Plan: This plan aimed to simplify and modernize the state aid rules, focusing on ensuring that state aid was used effectively and did not undermine competition. It emphasized the need for more transparent procedures and introduced measures for better enforcement and monitoring.

- The 2012 State Aid Modernization (SAM) Package: This package was designed to increase the efficiency of state aid control and improve the effectiveness of state aid measures. It introduced new guidelines and regulations, focusing on supporting growth and jobs while ensuring that state aid remained within the bounds of EU competition rules.

- The 2020 State Aid Temporary Framework: In response to the COVID-19 pandemic, the European Commission adopted a temporary framework to allow member states to provide more flexible state aid to support businesses affected by the crisis. This included measures such as increased aid limits and new categories of eligible support.

- The 2023 Temporary Crisis and Transition Framework: In reaction to the conflict in Ukraine and the remaining effects COVID-19 pandemic, the EC adopted the TCTF to encourage support measures in key industries for the Green Deal Industrial Plan's shift to a net-zero economy.

The key European legislation acts that specify the particular compatibility requirements are shown in Table no. 1.

Table no. 1. European compatibility legislation acts

State aid objectives / instruments	EU legislation
Regional	Guidelines on regional state aid [3]
RDI	Framework for State aid for research and development and innovation [4]
Environment and energy	Guidelines on state aid for climate, environmental protection and energy [5]
Risk finance	Guidelines on state aid to promote risk finance investments [6]
Undertakings in difficulty	Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty [7]
IPCEI	Important projects of common European interest [8]
Agricultural and forestry	Guidelines for state aid in the agricultural and forestry sectors and in rural areas [9]
Fishery and aquaculture	Guidelines for state aid in the fishery and aquaculture sector [10]
Short-term export credit insurance	Communication on short-term export credit insurance [11]
Public passenger transport by rail and by road	Regulation (EC) no 1370/2007 on public passenger transport services by rail and by road [12]
SGEI	Commission Decision on public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest [13]
SGEI	Framework for state aid in the form of public service compensation [14]
General block exemption	Commission Regulation (EU) No 651/2014 [15]
Agriculture block exemption	Commission Regulation (EU) 2022/2472 [16]
Fishery block exemption	Commission Regulation (EU) 2022/2473 [17]
General de minimis	Regulation (EU) 2023/2831 [18]
SGEI de minimis	Regulation (EU) 2023/2832 [19]

Employment	Communication on employment of disadvantaged and disabled workers [20]
Training	Communication on state aid for training [21]
Banking Communication	Communication on state aid rules in favour of banks [22]
Aid for railway	Guidelines on state aid for railway undertakings [23]
Aid to ship management	Communication on State aid to ship management companies [24]
Guarantees	Notice on State aid in the form of guarantees [25]

As previously mentioned, compatible state aid can be used to achieve a wide range of goals. However, in order for aid measures implemented by member states to be deemed compatible and, consequently, legally granted, they must meet all requirements outlined in the regulations, communications, and decisions made by the European Commission.

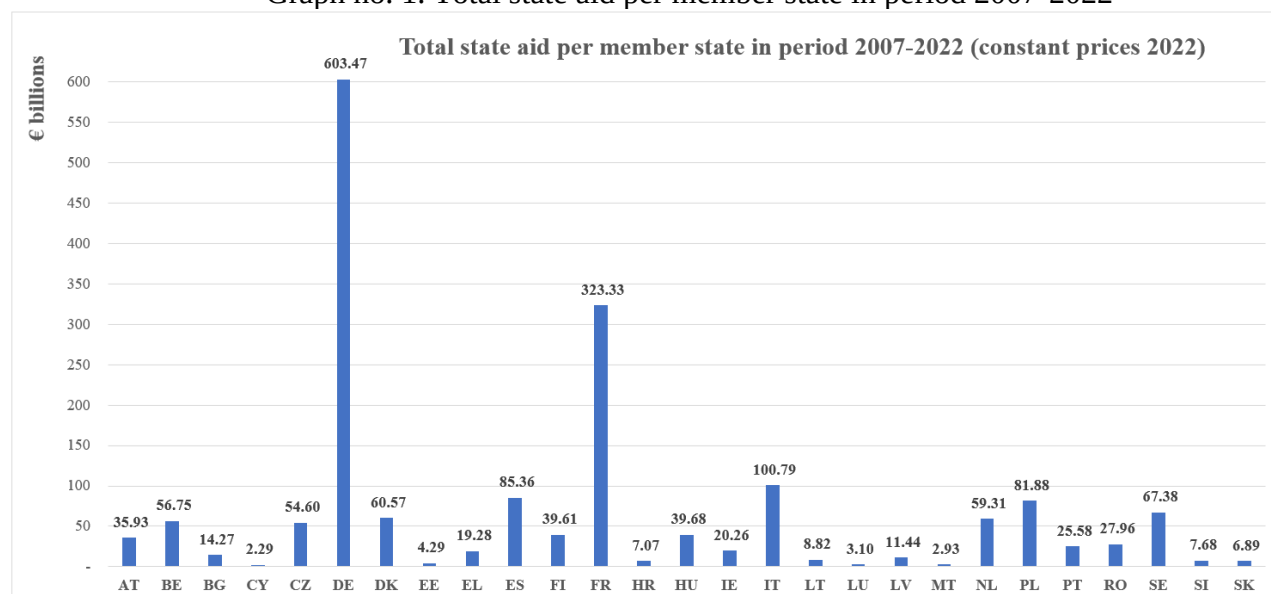
4. EU member states state aid policies

The countries around the world adopt different strategies in order to boost the economic growth. In EU, over the last two decades, the state aid policy has shifted to align with broader strategic objectives, including:

- **Support for Innovation and Research:** Encouraging research and development (R&D) through state aid has been a priority, aiming to foster innovation and technological advancement.
- **Regional Development and Cohesion:** State aid has been used to support economically disadvantaged regions, promoting balanced regional development and reducing disparities.
- **Environmental Sustainability:** There has been an increasing focus on using state aid to support environmental sustainability, including measures to address climate change and promote green technologies.

The member states supported the enterprises using various approaches. While some provided significant sums as a kind of targeted assistance, others worked to preserve a balance between government intervention and market forces. A comprehensive image of the European public initiatives can be extracted from the European Commission Annual Competition Reports that are addressed to the European Parliament, the Council of the European Union, the European Economic and Social Committee and the Committee of the Regions [26]. The Graph no. 1 reveals the evolution of state aid granted, from 2007 to 2022, across EU member states.

Graph no. 1. Total state aid per member state in period 2007-2022



Source: Author interpretation based on European Commission (2024) data [27].

It's important to note that these figures exclude the aid provided in accordance with the 2020 State Aid Temporary Framework (COVID-19 framework) and the 2023 Temporary Crisis Framework (Ukraine war framework). Because of their unusual and unique nature, a separate section will contain some commentary.

This analysis provides a clear picture of how each country has utilized state aid to support various sectors of their economies over a 16-year period. The figures, measured in billions of euros, expressed in constant 2022 prices, reveal significant disparities in the level of state aid distributed across different member states, reflecting the diversity of economic strategies and policy priorities within the European Union.

Germany, with a total state aid of €603.46 billion, stands out as the largest provider of state aid within the European Union. This significant figure underscores Germany's active role in supporting its economy through various forms of state aid, which may include subsidies, tax reliefs, and grants aimed at enhancing industrial competitiveness and innovation. France follows as the second-largest provider, with €323.33 billion in state aid, highlighting its commitment to economic intervention as a means of sustaining key sectors, including energy and transportation.

Smaller EU economies, such as Cyprus, Malta, and Latvia, have provided considerably less state aid, with totals of €2.28 billion, €2.93 billion, and €11.44 billion, respectively. These lower figures are indicative of their limited fiscal capacity and the smaller scale of their economies, which naturally leads to less extensive state intervention. However, even within these smaller economies, the allocation of state aid plays a critical role in supporting economic stability and addressing specific national challenges.

Romania's state aid over this period amounts to €27.96 billion, placing it in the mid-range among EU member states. This figure reflects Romania's ongoing efforts to utilize state aid as a tool for economic development, particularly in areas such as infrastructure, energy, and regional development. The level of state aid provided by Romania indicates a balanced approach, aiming to foster economic growth while maintaining fiscal responsibility. This allocation is crucial for Romania's strategy to enhance its competitiveness within the EU.

Other countries, such as Italy and Spain, also feature prominently with €100.79 billion and €85.36 billion in state aid, respectively. These figures highlight their proactive approach to mitigating economic challenges through government intervention. Italy's higher state aid figures may be linked to its efforts to address structural economic issues and stimulate growth, while Spain's allocation likely reflects its response to economic difficulties, particularly during the Eurozone crisis.

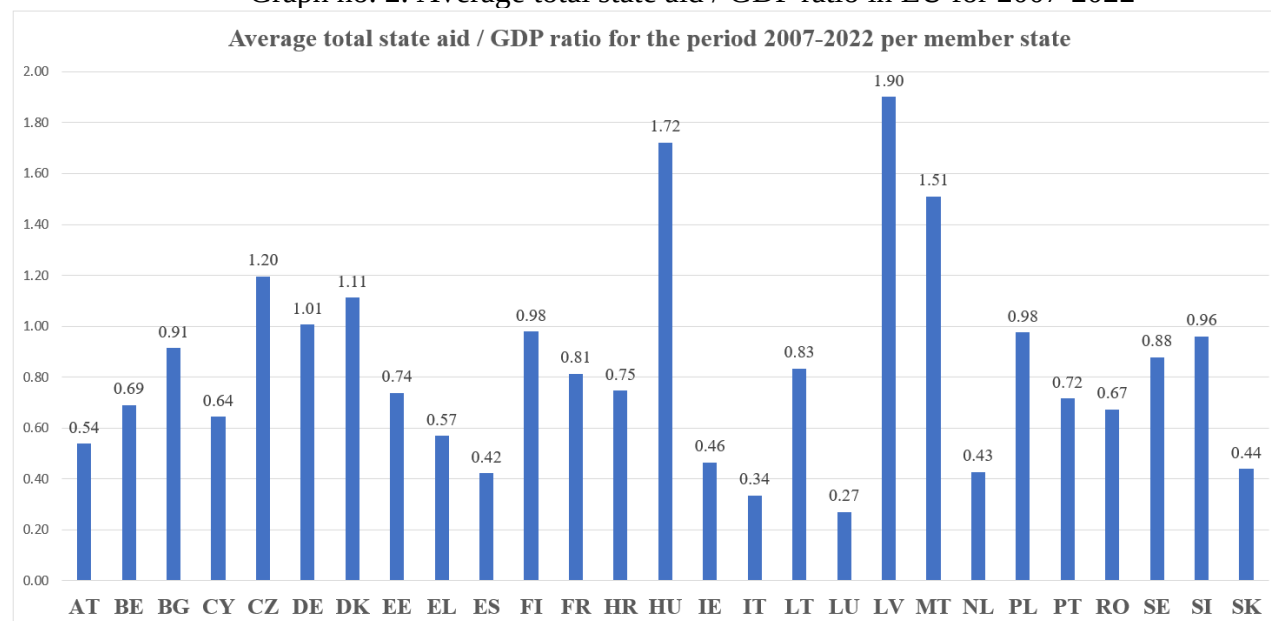
On the other hand, countries like Denmark and Finland, with €60.56 billion and €39.60 billion in state aid, respectively, illustrate the Nordic model's emphasis on extensive state involvement to ensure social welfare and economic stability. These countries typically focus their state aid on innovation, sustainable development, and maintaining a high standard of living, reflecting their broader socio-economic strategies.

Overall, the data on state aid granted by EU member states from 2007 to 2022 reveals a diverse landscape of economic intervention. While larger economies such as Germany and France lead in absolute terms, smaller nations still play an essential role in using state aid to address specific national priorities. Romania's position in the middle of this spectrum indicates its strategic use of state aid to promote economic growth and stability within the context of its national development goals. These variations highlight the importance of tailored state aid policies that reflect the unique economic conditions and priorities of each member state.

Due to the varying sizes of the member states' economies, the overall value of aid is not the proper instrument to accurately depict the state's role in their own economies. Therefore, I used the state aid to Gross Domestic Product (GDP) ratio to analyse the volume of aid in relation to the size of the national economies.

The Graph no. 2 outlines the average total state aid to GDP ratio for EU member states over the period 2007-2022.

Graph no. 2. Average total state aid / GDP ratio in EU for 2007-2022



Source: Author interpretation based on European Commission (2024) data [27].

The data presented above took into account the state aid provided by EU member states from 2007 to 2022, excluding any aid directed towards COVID-19 relief, or assistance related to the Ukraine war. The mean (average) and median values for the date are 0.833 and 0.75

A closer examination of the data reveals significant disparities in state aid allocation across the EU. Latvia stands out with the highest average state aid to GDP ratio at 1.90%, indicating a substantial level of governmental support relative to its economic size. This could reflect targeted policies aimed at bolstering certain sectors or addressing specific economic challenges. Conversely, Luxembourg exhibits the lowest ratio at 0.27%, which may suggest a more market-oriented approach with less reliance on state aid as a tool for economic management.

Romania's position within this landscape is particularly noteworthy. With a ratio of 0.67%, Romania sits below the EU average, reflecting a moderate level of state intervention in its economy. This figure suggests that while Romania does provide state aid, the extent is relatively restrained compared to some other member states. The reasons behind this could be multifaceted, including fiscal constraints, policy priorities, or the economic structure that may rely less on state aid. Understanding Romania's approach in this context could provide insights into its economic strategy and the role of government support in fostering growth and development.

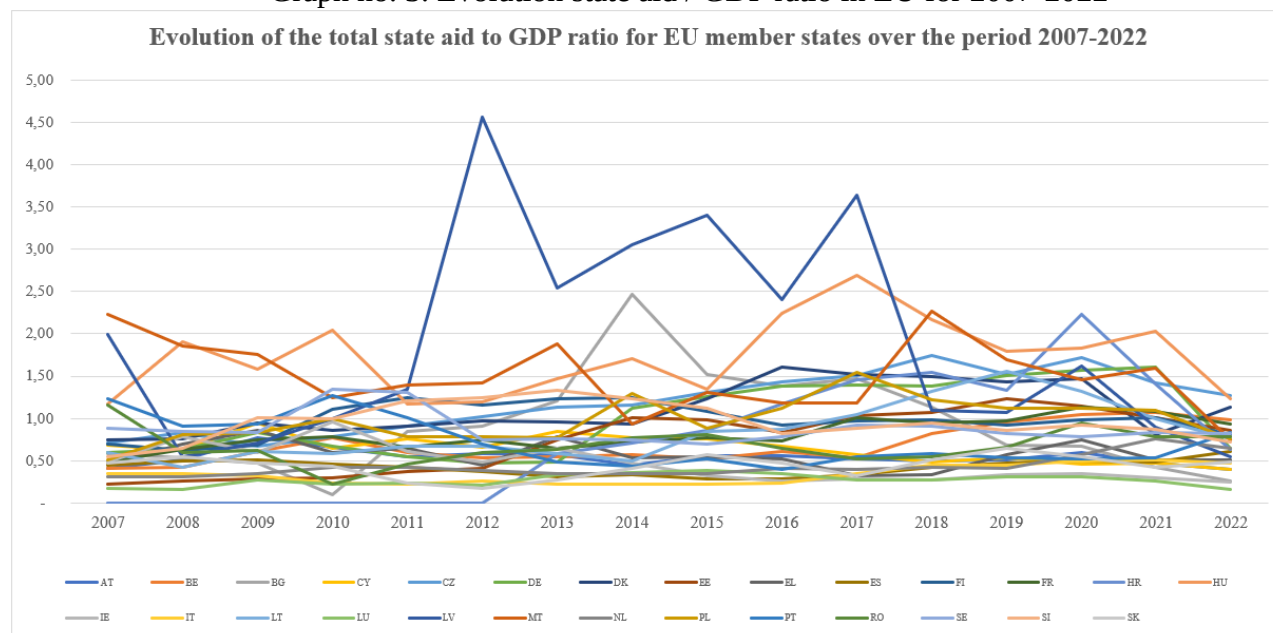
Other countries with notable ratios include Hungary (1.72%) and Malta (1.51%), which, like Latvia, allocate a significant portion of their GDP to state aid. These figures suggest a proactive approach by these governments in using state aid as a tool for economic support, potentially to stabilize or stimulate key sectors. On the other hand, larger economies such as Germany (1.01%) and France (0.81%) have moderate ratios, indicating a balanced approach where state aid plays a role, but is not overwhelmingly dominant in the context of their diversified economies.

The observed differences in state aid to GDP ratios among EU member states underscore the diversity of economic strategies across the Union. Each country's ratio reflects a complex interplay of economic needs, policy choices, and strategic priorities. High ratios might indicate a more interventionist approach, where the government plays a significant role in supporting the economy, while lower ratios could suggest a reliance on market mechanisms with limited state involvement.

These variations highlight the need for tailored economic policies that align with each member state's unique context, ensuring that state aid effectively addresses specific national challenges and opportunities.

The Graph no. 3 illustrates the evolution of the total state aid to GDP ratio for EU member states over the period 2007-2022.

Graph no. 3. Evolution state aid / GDP ratio in EU for 2007-2022



Source: Author interpretation based on European Commission (2024) data [27].

The evolution of the total state aid to GDP ratio across EU member states from 2007 to 2022, which excludes any aid provided in accordance with the COVID-19 and Ukraine conflict frameworks, provides a critical view of how governments have utilized state aid as a tool to support various sectors of their economies over time.

The trends observed in this data highlight the changing dynamics of state intervention in response to both internal and external economic pressures, including the global financial crisis and the COVID-19 pandemic.

A detailed analysis reveals significant fluctuations in the state aid to GDP ratio across the EU during this period. Countries such as Latvia, Hungary, and Malta exhibit some of the most notable variations, with Latvia's ratio spiking to 4.56% in 2012 before gradually decreasing. Similarly, Hungary's ratio peaked at 2.68% in 2012, reflecting substantial state intervention during this time. These peaks likely correspond to periods of economic distress, where governments increased state aid to stabilize their economies or to support specific sectors that were severely impacted by the crisis.

Romania's state aid to GDP ratio shows a different pattern, with more modest fluctuations compared to some other member states. The ratio for Romania started at 1.16% in 2007, dipped to as low as 0.22% in 2010, and then gradually increased, peaking at 0.94% in 2020 before stabilizing at 0.78% in 2022. This relatively stable trend suggests a cautious approach to state aid, with the Romanian government likely focusing on maintaining fiscal discipline while providing targeted support during critical periods, such as the financial crisis and the pandemic. The increase in state aid during these challenging times reflects the government's response to economic downturns, aiming to mitigate their impact on the economy.

Countries like Germany and France also demonstrate significant state aid activities, particularly during the later years of the period analyzed. Germany's state aid to GDP ratio, for

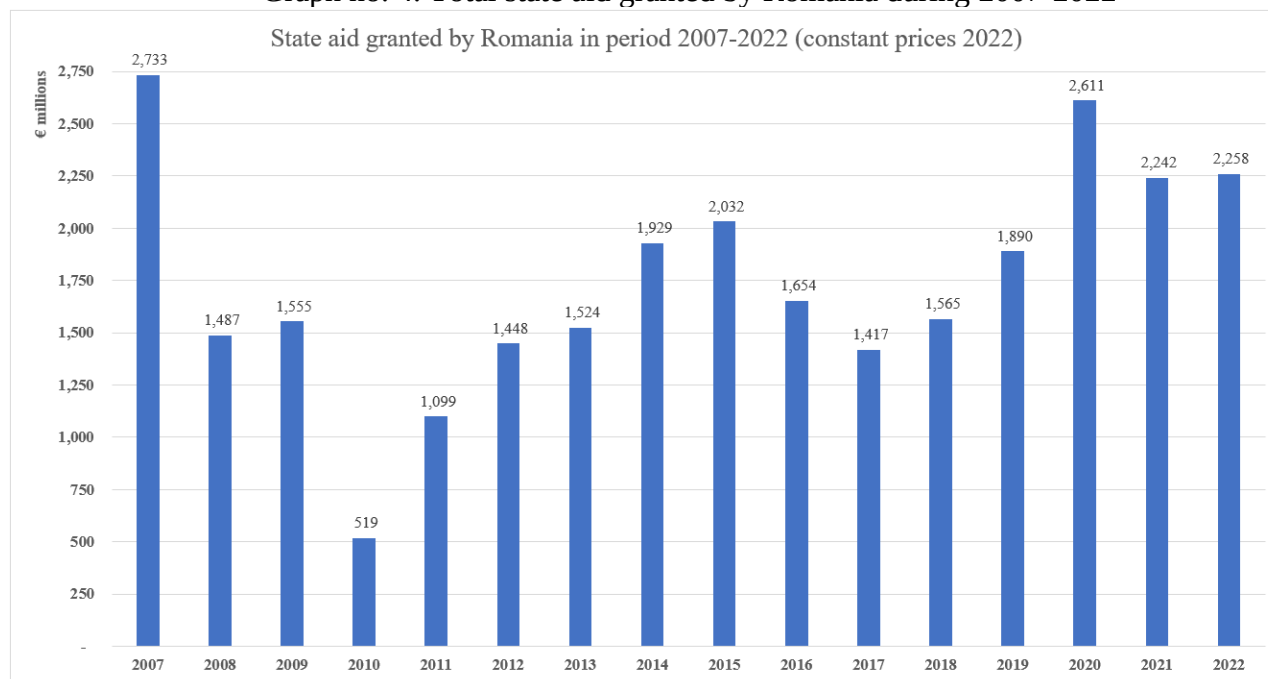
instance, saw a substantial increase during the COVID-19 pandemic, rising from 1.51% in 2019 to 1.61% in 2021. France exhibited a similar trend, with its ratio increasing from 1.13% in 2019 to 1.08% in 2021. These increases indicate the strong role of state intervention in supporting economies during times of crisis, especially in larger economies where state aid can be a critical tool for maintaining economic stability.

The evolution of state aid ratios across the EU highlights the diverse approaches taken by member states in utilizing state aid as a policy tool. Countries with higher ratios during economic downturns tend to adopt more interventionist policies, likely reflecting their need to address more severe economic challenges or to support key industries. In contrast, those with lower ratios may rely more on market mechanisms or have more diversified economies that require less state intervention. The variations in state aid to GDP ratios underscore the importance of context-specific economic policies that align with each country's unique economic structure and challenges.

5. Romania's main actions for supporting undertakings

After joining the EU, Romania continued to implement state aid measures that were fully compliant with EU regulations in this area. This was in line with the European and globally position of developing support programs for businesses operating in the national economy in order to increase their competitiveness and ensure the regional development required to improve the living standards of citizens. The data from Graph no. 4 provides a comprehensive overview of the total state aid granted by Romanian authorities between 2007 and 2022, excluding aid for COVID-19 relief, or assistance related to the Ukraine war.

Graph no. 4. Total state aid granted by Romania during 2007-2022



Source: Author interpretation based on European Commission (2024) data [27].

Over this 16-year period, the figures, adjusted to constant 2022 prices and expressed in millions of euros, reveal significant fluctuations in state aid, reflecting Romania's evolving economic conditions and policy responses to various challenges. The data illustrates how the Romanian government has utilized state aid as a tool to support its economy, targeting different sectors as needed to maintain stability and foster growth.

High Initial Allocation in 2007: In 2007, Romania granted €2,733.32 million in state aid, the highest allocation during the period under review. This substantial initial investment coincided with Romania's recent accession to the European Union, reflecting efforts to align with EU norms and support key sectors during the early years of membership. The high level of state aid during this year likely aimed to bolster the economy and facilitate integration into the European single market.

Decline in State Aid (2008-2010): Following the peak in 2007, there was a sharp decline in state aid to €1,486.60 million in 2008 and €1,554.56 million in 2009. This reduction can be attributed to the onset of the global financial crisis, which constrained government budgets and led to more cautious spending. By 2010, state aid dropped significantly to €518.83 million, marking the lowest point in the 16-year period. This downward trend underscores the impact of the economic downturn and the subsequent need for fiscal consolidation.

Recovery and Stabilization (2011-2015): Starting from 2011, Romania's state aid began to recover, reaching €1,099.00 million. This recovery continued steadily, with €1,447.68 million in 2012 and €1,524.20 million in 2013. The increase in state aid during these years suggests a gradual stabilization of the economy and a renewed focus on supporting key industries. By 2015, the allocation reached €2,031.94 million, reflecting a period of economic consolidation and growth.

Sustained Growth in State Aid (2016-2020): Between 2016 and 2020, Romania saw a sustained increase in state aid allocations. In 2016, state aid amounted to €1,653.88 million, rising to €1,889.90 million in 2019, and peaking at €2,611.18 million in 2020. This period of sustained growth highlights the government's commitment to boosting economic activity and addressing structural challenges within the economy. The peak in 2020, despite the exclusion of COVID-19-related aid, indicates significant government intervention to support the economy during a period of global uncertainty.

Stabilization and Adjustment (2021-2022): After the 2020 peak, state aid slightly decreased to €2,241.93 million in 2021 before stabilizing at €2,258.05 million in 2022. This slight adjustment reflects a strategic recalibration of state aid following the substantial interventions of the previous year. The consistent level of aid in 2022 suggests ongoing support for economic recovery and resilience in the face of global economic challenges.

When analyzing the entire period from 2007 to 2022, it is evident that state aid allocations were highly responsive to both domestic economic conditions and global economic trends. The initial high level of aid in 2007 contrasts sharply with the reductions during the global financial crisis, followed by a recovery and eventual stabilization as the economy regained momentum. The peak in 2020 stands out as a significant intervention year, likely reflecting efforts to preempt or mitigate potential economic disruptions.

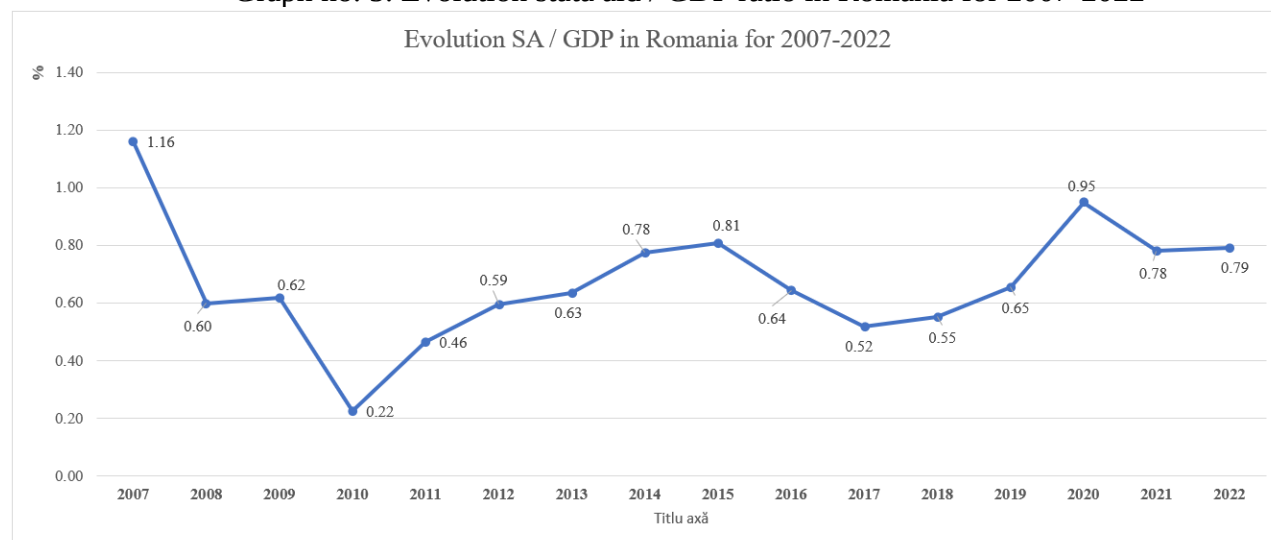
The fluctuations in state aid over the 16-year period offer important insights into Romania's economic policy and priorities. The initial high levels of aid likely supported Romania's integration into the EU, while the reductions during the financial crisis indicate a period of austerity. The subsequent recovery and increase in state aid suggest a strategic use of government resources to stimulate growth, support innovation, and address regional disparities.

The data indicates that state aid in Romania has increasingly focused on ensuring long-term economic sustainability. The consistent rise in aid post-2010 aligns with broader European strategies aimed at fostering sustainable development, innovation, and competitiveness. This shift towards sustainability is crucial for Romania as it continues to integrate into the European and global economies.

The evolution of state aid in Romania from 2007 to 2022 reflects a dynamic approach to economic management, with significant adjustments in response to both domestic and global economic conditions. The trends observed suggest that state aid has been an essential tool in Romania's economic policy, used strategically to support growth, innovation, and stability. As Romania looks to the future, the insights gained from this analysis will be valuable for shaping policies that continue to promote economic resilience and sustainable development.

Graph No. 5 shows the evolution of Romania's total state aid to GDP ratio from 2007 to 2022 in order to properly convey the efforts made by the country's authorities to support the business environment.

Graph no. 5. Evolution stata aid / GDP ratio in Romania for 2007-2022



Source: Author interpretation based on European Commission (2024) data [27].

The data provided shows the evolution of the state aid to GDP ratio in Romania from 2007 to 2022, excluding any specific aid related to COVID-19, or the Ukraine war. This ratio is a critical indicator of how significant state aid has been in relation to the overall size of the Romanian economy over time. Understanding the fluctuations in this ratio can shed light on the government's policy responses to economic challenges and its approach to economic development through state intervention.

In 2007, Romania's state aid to GDP ratio was 1.16%, the highest point in the earlier years of the period analyzed. This suggests a strong initial reliance on state aid as a tool to support the economy during Romania's early years in the European Union. However, this ratio sharply declined in 2008 to 0.60% and further to 0.22% in 2010, likely reflecting the impact of the global financial crisis, which prompted austerity measures and a reduction in government spending, including state aid.

From 2011 onwards, the data indicates a gradual recovery in the state aid to GDP ratio, with notable increases in 2014 (0.78%) and 2015 (0.81%). This period corresponds with Romania's broader economic recovery, where the government began to re-engage with state aid as a means to stimulate growth and support key sectors. The slight dip in the ratio in 2016 to 0.65% suggests a period of stabilization, where state aid was adjusted in line with the economic environment.

The ratio saw another significant rise in 2020, reaching 0.95%, as the government likely ramped up state aid in response to the economic disruptions caused by the global pandemic, even though direct COVID-19 aid is excluded from these figures. This increase indicates the use of state aid as a stabilizing force during economic turbulence, although the ratio slightly decreased to 0.78% in 2021 and remained stable in 2022. This stability could suggest a balanced approach where the government maintained substantial support for the economy while possibly avoiding excessive intervention.

Overall, the evolution of the state aid to GDP ratio in Romania from 2007 to 2022 reflects the government's adaptive use of state aid in response to both domestic and global economic challenges. The fluctuations in the ratio highlight the Romanian government's strategic adjustments in state intervention, aligning state aid with broader economic conditions and policy priorities. This

data underscores the critical role of state aid in Romania's economic strategy, particularly in periods of crisis and recovery.

However, a qualitative viewpoint needs to be included in the examination of the manner in which Romania provided governmental assistance. Even in cases where enterprises received substantial sums from the state budget, these costs must be examined in light of the goals of the policies that were put into place. The values of aid awarded, after accession, for each objective are displayed in Table no. 2.

Table no. 2. State aid granted in Romania during 2007-2022 per objectives

Total aid in constant prices 2022 (€ Millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Agriculture, Forestry, and Rural areas	2,028.97	973.00	1,190.93	165.62	441.85	387.20	61.16	203.59	107.47	6.81	27.61	50.21	31.73	299.17	97.48	132.70	6,205.49
Closure aid	8.44	-	-	-	-	66.73	56.18	54.54	46.66	29.20	54.27	49.22	31.85	19.42	4.38	-	420.90
Compensation of damages caused by natural disaster	-	-	-	-	-	-	-	-	-	-	-	-	-	1.86	0.23	-	2.09
Culture and heritage conservation	12.03	13.68	12.72	0.52	1.08	0.68	0.32	0.74	1.34	7.53	9.17	8.88	11.81	18.03	12.50	9.89	120.93
Employment	1.57	1.13	0.36	-	0.09	0.30	0.05	-	-	-	-	-	-	-	-	-	3.50
Environmental protection, including energy savings	20.15	25.70	0.03	-	396.04	808.30	1,057.17	1,022.22	1,122.91	1,270.54	1,153.90	1,015.51	1,253.87	1,454.57	1,446.92	1,130.96	13,178.79
Fisheries and aquaculture	-	-	-	-	-	-	-	-	-	-	-	-	0.37	-	-	-	0.37
Other	30.15	26.41	4.99	-	-	-	-	-	12.30	-	-	-	-	-	-	-	73.86
Regional development	61.59	91.79	93.21	171.19	237.86	157.92	267.50	575.25	635.07	298.24	125.69	331.58	461.92	354.41	289.68	306.72	4,459.62
Rescue & Restructuring	256.62	62.30	36.19	6.10	6.93	8.83	5.76	4.86	36.99	2.38	0.66	-	-	355.04	285.21	542.51	1,610.36
Research, development and innovation	82.15	109.88	53.25	57.63	7.06	14.77	19.00	48.31	41.37	33.87	39.37	58.41	47.18	48.43	49.47	67.99	778.13
Sectoral development	231.10	181.39	155.90	107.04	-	-	56.78	15.62	22.93	0.65	0.46	49.13	44.13	56.00	48.50	56.13	1,025.76
SMEs including risk capital	0.23	0.02	6.93	10.74	7.19	1.94	0.13	3.83	4.91	4.68	6.34	2.06	7.02	3.99	6.86	10.41	77.26
Training	0.33	1.29	0.05	-	0.93	1.02	0.14	0.02	-	-	-	-	0.03	0.27	0.69	0.75	5.52
Total	2,733.33	1,486.60	1,554.56	518.84	1,099.01	1,447.68	1,524.20	1,928.96	2,031.94	1,653.89	1,417.48	1,565.00	1,889.91	2,611.19	2,241.94	2,258.06	27,962.59

Source: Author interpretation based on European Commission (2024) data [27].

The evolution of state aid in Romania, across various objectives, from 2007 to 2022 highlights the government's strategic efforts to support various sectors of the economy. This period, characterized by significant economic transitions, saw diverse allocations of state aid across multiple objectives. This article aims to analyze the distribution of state aid across different objectives, focusing on how these allocations have evolved over the years. The data, measured in millions of euros at constant 2022 prices exclude any aid related to the COVID-19 pandemic or the Ukraine war, providing a clear picture of long-term trends in state aid without crisis-related distortions.

State Aid for Agriculture, Forestry, and Rural Areas: State aid for agriculture, forestry, and rural areas represents one of the most significant allocations in the dataset. Starting from a high of €2,028.97 million in 2007, aid to this sector exhibited considerable fluctuations over the years. Notably, there was a sharp decline to €165.62 million in 2010, reflecting possible changes in policy focus or budgetary constraints. However, the aid amount remained relatively low in subsequent years, with only minor increases, reaching €299.17 million in 2020 before stabilizing around €132.70 million in 2022. Overall, this sector received a total of €6,205.49 million during the analyzed period.

State Aid for Environmental Protection and Energy Savings: Environmental protection, including energy savings, consistently attracted substantial state aid, particularly from 2011 onwards. The allocation surged dramatically in 2011 to €396.04 million, reaching its peak in 2020 with €1,454.57 million. This trend indicates a growing governmental emphasis on environmental sustainability and energy efficiency, aligning with broader European Union directives. Over the 16-

year period, this sector accumulated a total of €13,178.79 million, making it one of the largest recipients of state aid in Romania.

State Aid for Regional Development: Regional development is another area where significant state aid was directed, reflecting efforts to reduce regional disparities and promote balanced economic growth. The data shows a marked increase in aid for regional development starting from 2011, peaking in 2015 with €635.07 million. Although there was some fluctuation in subsequent years, the overall trend remained strong, with the total aid for this objective amounting to €4,459.62 million by 2022. This sustained investment highlights the strategic importance of regional development in Romania's economic policy.

State Aid for Research, Development, and Innovation: Research, development, and innovation (RDI) received consistent but relatively modest state aid compared to other objectives. The aid peaked early in 2008 at €109.88 million, but fluctuated in the following years, never exceeding this amount. The total allocation for RDI over the period was €778.13 million. This steady but moderate investment suggests a recognition of the importance of innovation for long-term economic growth, though possibly constrained by budgetary limitations.

State Aid for Rescue and Restructuring: The aid allocated for rescue and restructuring purposes experienced significant variation throughout the period. Initial support in 2007 was high at €256.62 million, but the figures fluctuated considerably in subsequent years, with notable peaks in 2012 (€355.04 million) and 2022 (€542.51 million). The total aid for this objective over the period reached €1,610.36 million. The variability in these figures likely reflects the specific needs of industries or companies in distress, requiring targeted government intervention at different times.

State Aid for Sectoral Development: State aid directed towards sectoral development showed a declining trend over the years. Starting at €231.10 million in 2007, the aid gradually decreased, with minor fluctuations, to just €56.13 million by 2022. The total allocation for sectoral development during this period was €1,025.76 million. This decline suggests a possible shift in governmental priorities away from broad sectoral support towards more targeted interventions.

State Aid for Culture and Heritage Conservation: Support for culture and heritage conservation was relatively small but consistent over the years. The aid began at €12.03 million in 2007 and saw slight variations, peaking at €18.03 million in 2020. The total allocation for this objective over the 16 years was €120.93 million. This modest but steady support underscores the importance placed on cultural and historical preservation, albeit within the constraints of a broader budgetary framework.

State Aid for Employment and Training: Aid aimed at employment and training was minimal and sporadic throughout the period. Employment aid peaked in 2007 at just €1.57 million and dwindled to near non-existence in subsequent years, while training aid similarly saw low levels, peaking at €1.29 million in 2008. The total allocations for employment and training were €3.50 million and €5.52 million, respectively. These figures suggest that other mechanisms, possibly within broader social policy frameworks, were used to address employment and training needs.

State Aid for SMEs Including Risk Capital: Small and medium-sized enterprises (SMEs) including risk capital received very limited state aid. The allocations peaked in 2015 at €10.41 million but remained relatively low throughout the period, with a total allocation of €77.26 million by 2022. The low level of aid to SMEs might reflect either limited resources or a strategic decision to support SMEs through other mechanisms, such as favorable tax policies or access to finance initiatives rather than direct state aid.

A comparative analysis of state aid allocations across various objectives from 2007 to 2022 reveals significant disparities in governmental priorities. The largest recipients of state aid were agriculture, forestry, and rural areas (€6,205.49 million), environmental protection including energy savings (€13,178.79 million), and regional development (€4,459.62 million). These sectors align with Romania's strategic goals of ensuring food security, promoting sustainable development, and reducing regional disparities. Conversely, objectives such as employment (€3.50 million) and

training (€5.52 million) received minimal support, suggesting that these areas may have been addressed through alternative policy instruments rather than direct financial aid. The data also highlights the government's responsiveness to changing economic conditions. For example, the significant fluctuations in rescue and restructuring aid reflect targeted interventions to stabilize specific industries or companies in distress. Meanwhile, the relatively consistent support for culture and heritage conservation (€120.93 million) underscores a steady commitment to preserving Romania's cultural assets. Interestingly, state aid for research, development, and innovation (RDI) (€778.13 million) was moderate and did not exhibit significant growth, which could indicate budgetary constraints or a reliance on EU funding mechanisms to support innovation. The relatively low aid for SMEs including risk capital (€77.26 million) further emphasizes a potential strategic choice to support these businesses through indirect means. Overall, the data illustrates a clear prioritization of sectors that align with long-term national and EU strategic goals, while other areas, such as employment and training, may have been supported through non-aid mechanisms.

The evolution of state aid in Romania from 2007 to 2022, adjusted for constant 2022 prices, provides valuable insights into the government's strategic priorities and responses to economic challenges. The data shows a strong emphasis on sectors critical to national development, such as agriculture, environmental protection, and regional development, with significant fluctuations reflecting changes in economic conditions and policy focus. The comparative analysis of state aid allocations across various objectives underscores the Romanian government's commitment to balancing short-term economic stabilization with long-term sustainable growth, as well as the strategic use of state aid as a tool for achieving broader economic goals. As Romania continues to navigate its post-EU accession economic trajectory, understanding these trends in state aid allocation will be crucial for future policy development and economic planning.

The following data provides a detailed overview of the evolution of state aid granted in Romania from 2007 to 2022, categorized by different instruments of aid. The values are presented in millions of euros, adjusted to constant 2022 prices, to account for inflation and provide a clearer comparison over time.

Table no. 3. State aid granted in Romania during 2007-2022 per instruments

Total aid in constant prices 2022 (€ Millions)																	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Different forms of tax advantage	5.88	64.92	5.01	82.53	261.80	534.41	684.58	868.90	672.93	104.70	161.85	133.48	137.31	132.12	132.09	107.77	4,160.27
Direct grant	2,244.32	1,264.31	1,234.10	429.69	830.61	903.02	832.65	1,051.96	1,305.67	588.82	434.90	676.08	776.79	1,092.19	1,112.68	1,392.15	16,169.93
Guarantee	17.05	74.29	266.08	6.10	5.48	5.87	4.92	4.02	3.93	-	-	-	-	-	-	-	687.74
Loan/ Repayable advances	1.17	54.26	28.69	0.52	1.08	3.64	1.16	1.58	34.39	2.81	0.85	0.10	0.05	355.07	0.00	-	545.38
Provision of risk capital / finance	4.90	28.83	20.68	-	-	-	-	-	-	4.68	0.40	1.64	6.09	3.83	6.05	6.77	113.85
Subsidised services (SGEI)	-	-	-	0.002	0.04	0.74	0.89	2.51	2.72	6.72	12.97	29.52	87.77	82.07	46.72	16.73	289.41
Other	-	-	-	-	-	-	-	-	12.30	946.16	806.52	724.18	881.90	945.90	944.40	734.64	5,996.00
Total	2,733.33	1,486.60	1,554.56	518.84	1,099.01	1,447.68	1,524.20	1,928.96	2,031.94	1,653.89	1,417.48	1,565.00	1,889.91	2,611.19	2,241.94	2,258.06	27,962.59

Source: Author interpretation based on European Commission (2024) data [27].

The data reveals the strategic use of various aid instruments by the Romanian government to support its economy, excluding any assistance related to agriculture, COVID-19 relief, or the Ukraine war.

One of the most significant forms of state aid during this period was through direct grants, which totaled €16,169.93 million over the 16 years. Direct grants were particularly prominent in the early years, with 2007 alone accounting for €2,244.32 million. However, there was a noticeable decrease in the following years, reflecting the economic downturn and subsequent recovery efforts. By 2022, direct grants had once again become a significant component of state aid, totaling

€1,392.15 million, indicating the government's continued reliance on this instrument to stimulate economic growth.

Tax advantages also played a crucial role in Romania's state aid strategy, with a total of €4,160.27 million allocated through this mechanism between 2007 and 2022. The highest levels of tax advantages were granted in the mid-2010s, particularly in 2014 and 2015, with €868.90 million and €672.93 million, respectively. This period coincides with Romania's efforts to enhance its business environment and attract foreign investment by offering substantial tax reliefs. However, the decline in tax advantages post-2016 suggests a shift in policy, possibly towards more targeted forms of aid.

State guarantees, while not as prominent as direct grants or tax advantages, still contributed significantly to the overall state aid framework, with a total of €687.74 million granted. The peak of state guarantees was observed in 2009, with €266.08 million, likely in response to the global financial crisis. This instrument was used sparingly in subsequent years, with minimal to no guarantees provided after 2015, indicating a stabilization of the financial sector and reduced need for such interventions.

Loans and repayable advances also formed part of the state's financial support toolkit, albeit to a lesser extent, with a total of €545.38 million over the period. The most notable year for this instrument was 2020, with €355.07 million granted, which may be attributed to measures taken in response to economic challenges prior to the pandemic. The limited use of this instrument in other years suggests a preference for non-repayable forms of aid or direct market interventions.

The provision of risk capital or finance, although relatively minor in comparison to other instruments, still played a role, particularly in the earlier years, with a total of €113.85 million provided. This form of aid was primarily utilized during the global financial crisis and its aftermath, indicating an effort to support high-risk ventures and foster innovation during economically turbulent times. The low figures in subsequent years suggest a stabilization in the economic environment, reducing the need for such high-risk interventions.

Subsidized services, particularly Services of General Economic Interest (SGEI), became increasingly important towards the latter part of the period, with a total of €289.41 million allocated. This form of aid saw a gradual increase, reflecting the government's focus on supporting essential services, especially in areas where market failures could occur. The peak in 2020 with €87.77 million illustrates the government's commitment to maintaining these services during challenging economic conditions.

In conclusion, the evolution of state aid in Romania from 2007 to 2022 reflects a dynamic approach to economic support, with shifts in the use of different instruments in response to changing economic conditions. Direct grants and tax advantages have been the primary tools, while guarantees, loans, risk capital, and subsidized services have been used more selectively. The data highlights the Romanian government's adaptability in its state aid strategy, ensuring the availability of necessary support while also adjusting to the broader economic context.

6. The EU applying of the state aid regulations and the Recovery and resilience facility to reduce the adverse impacts of external economic negative inputs

The Temporary Crisis Frameworks

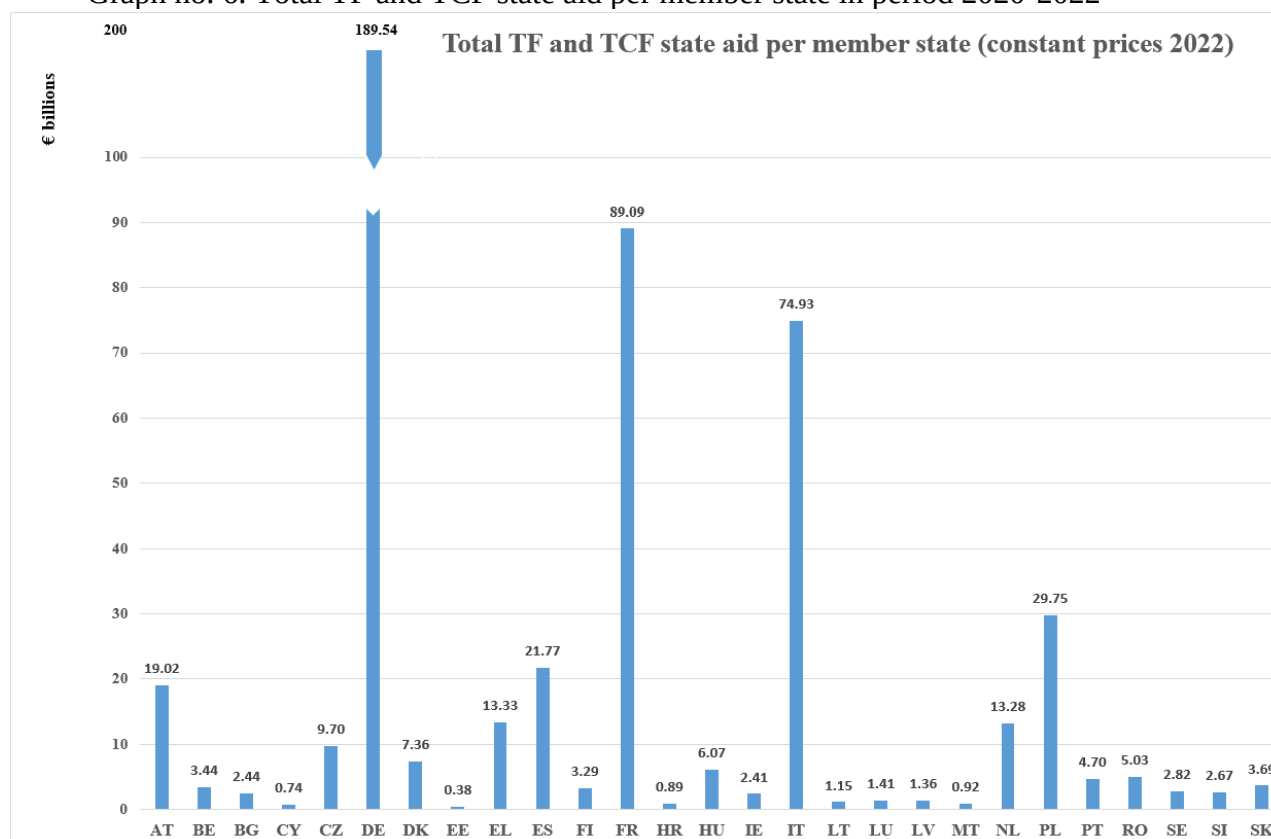
The European Commission approved a Temporary Framework [28] on March 19, 2020, to help member states boost their economies and get out of the negative circumstances brought on by the COVID-19 pandemic. The Temporary Framework (TF) was concentrated on meeting the liquidity needs of the outbreak-affected enterprises. In later stages, TF was amended in order to allow aid to be used to further strengthen the economy during the current crisis, preserve jobs, promote research, testing, and manufacture of COVID-19-relevant items, assist small, startup, and microbusinesses and encourage private investment.

In light of Russia's war against Ukraine, the Commission approved the Temporary Crisis Framework (TCF) [29] in March 2022, allowing member states to assist the economy. The initial TCF contained state assistance meant to address the short-term economic crisis brought on by Russia's invasion of Ukraine. Examples of this assistance included measures to support the reduction of electricity demand, compensation for high energy prices, and guarantees and subsidized loans for liquidity. As the situation worsened, the TCF was changed twice, in July 2022 and October 2022.

In order to response to the fast evolution of the economic environment, the Commission approved the Temporary Crisis and Transition Framework [30] in March 2023. In accordance with the Green Deal Industrial Plan, this Framework permits member states to assist critical industries as they transition to a net-zero economy.

Graph no. 6 presents the state aid granted, from 2020 to 2022, by EU member states in response to the COVID-19 pandemic and the Ukraine war (Temporary Framework and Temporary Crisis Framework). The values are presented in billions of euros, adjusted to constant prices for the period 2020-2022. The figures indicate the varying capacities of these countries to respond to the crises, with smaller economies generally providing less aid in absolute terms.

Graph no. 6. Total TF and TCF state aid per member state in period 2020-2022



Source: Author interpretation based on European Commission (2024) data [27].

Overview of state aid allocation: During the period from 2020 to 2022, EU member states allocated significant financial resources to mitigate the economic impacts of the COVID-19 pandemic and the Ukraine war. The data reveals substantial differences in the levels of state aid granted by individual countries, reflecting their economic capacities, the severity of the crises' impacts, and national policy priorities.

Germany's dominant role: Germany stands out as the largest provider of state aid among EU member states, with a total allocation of €189.63 billion. This massive financial intervention

underscores Germany's strong economic position and its critical role in stabilizing the EU economy during the crises. In 2022, crisis aid will account for a sizable portion of Germany's spending, since two systemic energy utilities needed public support following the disruption of gas supplies brought on by Russia's war in Ukraine. The scale of aid provided by Germany exceed that of other member states, indicating its commitment to supporting both its national economy and the broader European market.

Significant allocations by other major economies: Other major EU economies also provided substantial state aid during this period. France allocated €89.08 billion, and Italy provided €74.92 billion. Spain contributed €21.77 billion, while the Netherlands allocated €13.27 billion. These figures reflect the significant economic disruptions caused by the COVID-19 pandemic and the Ukraine war, prompting major EU economies to deploy large-scale financial interventions to support businesses, workers, and public services.

Aid allocations by smaller economies: Smaller EU economies also mobilized significant resources, though on a much smaller scale compared to the major economies. For example, Austria allocated €19.02 billion, and Belgium provided €3.44 billion. Other smaller economies, such as Ireland (€2.40 billion), Greece (€13.33 billion), and Portugal (€4.70 billion), also contributed notable amounts. These allocations highlight the broad impact of the crises across the EU, affecting countries of all sizes and economic strengths.

Romania: Romania's state aid allocation during the 2020-2022 period amounted to €5.02 billion. While this figure is significant, it is relatively modest compared to the aid provided by larger economies like Germany, France, and Italy. However, when compared to other Central and Eastern European countries, Romania's aid allocation is more substantial. For instance, Czech Republic allocated € 9.7 billion, Hungary provided €6.06 billion, Poland €29.74 billion, Slovakia €3.68 billion, and Bulgaria €2.44 billion. Romania's allocation reflects its economic capacity and the government's efforts to support its national economy during these challenging times. The aid provided by Romania was crucial in addressing the economic impacts of the crises, though it was limited by the country's financial resources compared to larger EU economies.

Aid provided by the nordic and baltic states: The Nordic and Baltic states also played their part in the collective EU response. Denmark allocated €7.36 billion, Finland €3.29 billion, and Sweden €5.02 billion. The Baltic states, despite their smaller economies, managed to allocate notable amounts: Lithuania €1.14 billion, Latvia €1.35 billion, and Estonia €0.38 billion. These allocations underscore the regional efforts to mitigate the economic fallout from the crises, with a focus on maintaining stability in the Nordic-Baltic region.

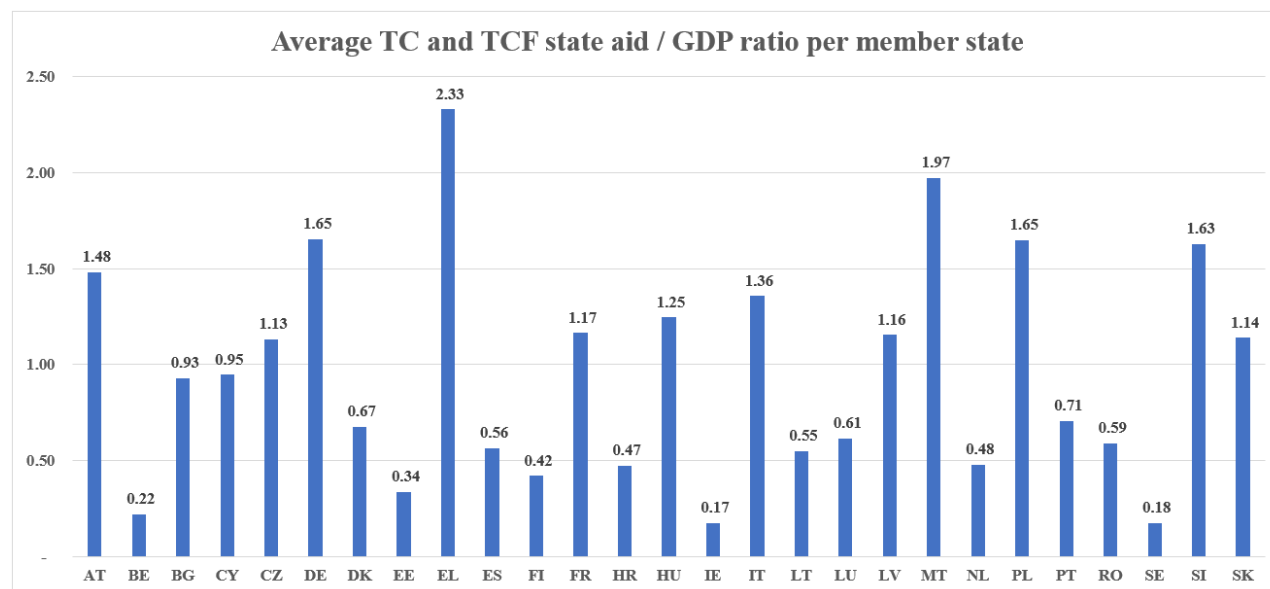
Southern Europe: In Southern Europe, Italy and Spain were among the most significant contributors, reflecting their large economies and the severe impact of the COVID-19 pandemic on these countries. Italy's allocation of €74.92 billion and Spain's €21.77 billion were critical in stabilizing their economies. Portugal, though smaller, allocated €4.70 billion, reflecting its efforts to support its national economy during the crises. These figures highlight the significant strain placed on Southern European economies during this period and the corresponding government interventions.

The distribution of state aid across EU member states during the 2020-2022 period reflects both the economic capacities of individual countries and the varying impacts of the crises on their economies. Larger economies like Germany, France, and Italy were able to provide substantial financial support, while smaller and less economically powerful countries allocated more modest amounts. Despite these differences, the data shows a collective effort across the EU to address the economic challenges posed by the COVID-19 pandemic and the Ukraine war, with all member states contributing to the broader stabilization effort.

In order to reflect the real effort made by each member state in order to diminish or to eliminate the negative effects of the COVID-19 pandemic and the Ukraine war, Graph no. 7 illustrates the ratio between the state aid granted in these circumstances and the GDP. This ratio

highlights the extent to which each country used state aid as a proportion of its economic output, giving a clearer view of how various economies reacted to these crises. Understanding these ratios is essential for evaluating the relative financial burden taken on by each country to stabilize its economy during these unprecedented events.

Graph no. 7. Average TC and TCF state aid / GDP ratio in EU per member state in period 2020-2022



Source: Author interpretation based on European Commission (2024) data [27].

Greece tops the list with the highest ratio, at 2.33%. This figure indicates that Greece allocated a substantial share of its economic output to state aid, reflecting the severity of the impact both crises had on its economy. The high ratio is particularly noteworthy given Greece's financial struggles in the years leading up to the COVID-19 pandemic, as the country was still recovering from the 2008 financial crisis. This level of aid was likely crucial to maintaining economic stability and supporting its citizens during the pandemic and Ukraine war disruptions. It is followed by Malta with a notable high ratio of 1.97%. Malta, with its small economy heavily dependent on tourism and international trade, similarly had to mobilize substantial state aid to cushion its economy.

Germany's ratio of 1.65% reflects its strong commitment to supporting the economy during these crises. As the largest economy in Europe, Germany's overall state aid in absolute terms would be much higher than most other member states, even though its ratio to GDP might appear moderate compared to Greece or Malta. Germany's extensive aid packages aimed at both national economic support and contributions to the wider EU recovery efforts highlight its central role in European economic stability.

Poland also registered a ratio of 1.65%, positioning it among the higher ratios in the EU. As one of the largest economies in Central and Eastern Europe, Poland's significant allocation of state aid reflects its proactive approach to mitigate the effects of the pandemic and the Ukraine war. Poland's economy, which has been growing steadily over the past decade, faced substantial challenges during these crises, and the government's response was aimed at protecting its economic gains and stabilizing key sectors such as manufacturing and services. Also, Slovenia, with a 1.63% allocation, and Austria, with 1.48%, had a strong answer to the crises.

Italy, with a ratio of 1.36%, stands out due to the extensive impact of the COVID-19 pandemic, especially during the early stages of the crisis in 2020. Italy's government was forced to implement large-scale financial measures to support healthcare, businesses, and workers. Despite

having one of the highest public debt levels in Europe, Italy's ratio shows that significant aid was necessary to mitigate the long-term effects of the pandemic on its already fragile economy. In the case of France (1.17%), a similar picture is noticed.

Romania's ratio of 0.59% puts it towards the lower end of the spectrum among EU countries. Compared to the high ratios of countries, from Central and Eastern Europe, like Greece (2.33%), Poland (1.64%), Hungary (1.25%), Czech Republic (1.13%) or Bulgaria (0.93%), Romania's allocation was relatively modest. However, it is important to note that Romania's economic capacity is smaller than that of Western European countries, and the government's response was likely constrained by fiscal limitations. Nonetheless, Romania's aid was crucial in supporting key sectors such as healthcare, manufacturing, and small businesses during these crises. In comparison to its regional peers, Romania's response was less aggressive than Poland's but still significant given its economic size and challenges. Portugal (0.71%) and Spain (0.56%) also show a moderate level of state intervention relative to their GDP.

Northern European countries such as Finland (0.42%) and Denmark (0.67%) exhibited lower ratios. These lower figures may reflect both the stronger economic resilience of these nations and their ability to manage the crises through targeted, rather than widespread, financial interventions. These economies, which are well-diversified and have robust social safety nets, may have been able to avoid the need for larger-scale state aid compared to Southern and Eastern European nations.

The Recovery and Resilience Facility

The most important project of NextGenerationEU, the Recovery and Resilience Facility (RRF) [31], aims, in addition to and beyond the Cohesion Policy, to strengthen the bonds between member states by reducing the negative social and economic effects of the COVID-19 epidemic and better equipping the EU to face future challenges, particularly those related to the digital and green transitions.

In the case of state aid measure financed by the RRF, the majority are directly implementable by the Member States through de minimis aid [32] or block-exemption aid regulations [33].

5. Conclusions

Romania's post-EU accession state aid policy has evolved significantly, with substantial reforms aimed at aligning with EU competition rules and fostering fair competition. Since 2007, Romania has made considerable progress in designing and implementing state aid policies that support key sectors such as agriculture, regional development, and environmental sustainability, without distorting market dynamics. However, the country still faces challenges in balancing economic development goals with EU regulations.

State aid has been a pivotal element in shaping the economic landscape of the European Union (EU) member states, influencing how governments support businesses and promote economic growth. Over the past two decades, the landscape of state aid within the EU has evolved significantly, driven by both internal and external factors. The allocation of funds to support companies has varied widely by type, sector, and region, with notable increases in response to economic crises and emerging challenges. As the EU continues to navigate a complex economic environment, the effectiveness and alignment of state aid policies will remain crucial in supporting sustainable growth and competition within the internal market.

The analysis shows that while Romania's state aid as a percentage of GDP remains below the EU average, the country has been strategic in targeting aid to priority sectors. The response to external crises such as the COVID-19 pandemic and the Ukraine war demonstrated Romania's ability to mobilize resources effectively, though its fiscal limitations compared to larger EU economies remain evident. Future policies should focus on enhancing institutional capacity for managing state aid, improving transparency, and ensuring that aid is targeted towards sectors that promote innovation and sustainable development.

Looking ahead, Romania must continue to improve its ability to swiftly respond to economic crises while maintaining compliance with EU regulations. The experience during the COVID-19 pandemic and the Ukraine war highlighted both strengths and weaknesses in Romania's state aid mechanisms. Future policies should prioritize the development of a robust framework for emergency aid, which can be activated during crises without violating EU competition rules. Furthermore, Romania must focus on fostering green and digital transitions in line with the EU's long-term strategic goals. This will require targeted state aid to support investments in clean energy, digital infrastructure, and technological innovation.

Another future direction involves enhancing regional development by improving the allocation of state aid to less developed regions. Romania's ongoing efforts to reduce regional disparities through state aid are commendable, but more targeted interventions are necessary to ensure that all regions benefit from economic growth. Finally, the Romanian government should explore ways to provide more support for small and medium-sized enterprises (SMEs), which are critical to the country's economic resilience and job creation. This could involve increasing access to risk finance and expanding state aid programs specifically designed to help SMEs thrive in competitive markets.

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