Monetary Support and State Aid under the Pandemic Challenges in Romania: A Comparative Approach

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Abstract: *The COVID-19 pandemic has rapidly led to a severe deterioration of the global economic environment and a sharp worsening in the international financial market sentiment. Hence, the European governments adopted extraordinary monetary and state aid policies to mitigate the economic collapse and stabilise the financial markets. Romania was no exception, being significantly affected by the pandemic. Against this background, the paper aims to analyse the peculiarities of the monetary support and state aid adopted by Romania and by other EU Member States in the context of the pandemic crisis to increase the resilience of their national economies. Our main findings reveal that the monetary support provided in Romania consisted in significant liquidity injections into the financial system, and in the purchase of state securities from the secondary market. In Romania, the largest part of the total state aid was directed to SMEs from the processing industry, constructions, wholesale and retail trade, transport, and the storage sector, especially through guarantees and direct grants.*

Keywords: *EU, Romania, monetary policy, State Aid Temporary Framework, COVID-19 pandemic, economic recovery.*

JEL classification: *E52, E58, H51, H81.*

Introduction

The outbreak of the COVID-19 pandemic prompted a series of economic and social challenges across the entire world. It induced an economic downturn that surpassed the global financial crisis, mainly due to the drastic cutbacks in private consumption. This was a crisis like no other, requiring extraordinary and rapid responses. They came in the form of sizeable, coordinated monetary and fiscal measures to support the economies faced with the pandemic crisis. While central banks were operationally independent from any governmental pressures, this exogenous shock was strong enough to warrant an unprecedented monetary and fiscal interaction.

Against this backdrop, the central banks constituted one of the main sources of liquidity for the financial institutions (by offering loans to keep the real economy afloat), while the state aid schemes proved to be, once again, an excellent tool for supplementing the monetary support. In

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this instance, the European Central Bank (ECB) eased its monetary policy stance starting with March 2020 to mitigate the negative impact of the COVID-19 pandemic. Its comprehensive set of measures sought to avoid a liquidity and credit crunch, and to avert a cyclical tightening of the financing conditions (European Central Bank, 2020). Unprecedented asset purchase programmes launched by the ECB led its balance sheet to a historical high of 6.9 trillion euros in 2020. In addition, to strengthen its accommodative monetary policy, the ECB provided unprecedented liquidity to the banking system, offered long-term funding to banks through targeted long-term refinancing operations, and reduced the interest rate on long-term transactions. At the same time, central banks of non-eurozone Member States of the EU used different monetary policy tools to help their national economies. Some of those tools focused mostly on the purchase of government or corporate securities to overcome the negative effects of the pandemic, while others provided a large volume of liquidity to the financial system through open-market operations.

Moreover, the exceptional nature of the economic difficulties, triggered by the lockdowns, determined the European authorities to activate the general derogation clause of the Stability and Growth Pact and to use the full potential and flexibility of the EU's State aid rules[2], notably within a Temporary Framework adopted in March 2020. This derogation recognises the need for state aid in specific circumstances, either to address well-defined market failures or to protect certain social values. The COVID-19 pandemic created such specific circumstances for the EU, and therefore the European Commission swiftly allowed the enforcement of a new derogatory framework, destined to help EU Member States cope with the negative effects of the lockdowns. Consequently, from the first months of the pandemic, the national authorities were able to use state aid to mitigate the disruptions in their economies. Unlike other EU funds, the state aid is granted from the national budget with the approval of the European Commission. Alongside the state aid schemes, new follow-up instruments – such as the Recovery and Resilience Facility, the centrepiece of the Next Generation EU package – were adopted in December 2020 to support the economic recovery of the EU Member States. However, for this article we have chosen to focus on the analysis of state aid granted under the Temporary State Aid Framework, while other EU instruments could be the focus of future research.

As Romania was seriously affected by the COVID-19 pandemic, the Romanian Government and the central bank reacted promptly by adopting a consistent package of monetary measures and state aid schemes approved by the European Commission.

Against this background, the paper has two objectives. The first is to provide a comparative analysis of the monetary and state aid implemented by Romania and other EU Member States in the context of the pandemic, so as to increase the resilience of their economies. The second is to understand which monetary and state aid tools did Romania use to face the pandemic challenges, and how Romanian SMEs' (which represent most of the Romanian companies)[3] were supported through these tools.

Methodology and data

We have employed a mixed methodology, based on qualitative and quantitative analyses. Firstly, we have conducted a comparative analysis of the monetary support provided in the EU countries during the period 2020-2022. In addition, we have carried out a quantitative analysis of the state aid to give a global picture on how the EU Member States managed to benefit fully from the derogations granted under the Temporary State Aid Framework. Moreover, we have used the

[2] The state aid differs from other types of financial aid provided by governments, being strictly regulated at the EU level through Article 107(1) of the TFEU, which stipulates that any aid – granted by a Member State or through state resources – that threatens to distort the free competition is incompatible with the internal market.

[3] According to the data of the Romanian National Trade Register Office, in 2022, SMEs reported 64.2% of the total profit earned by the private sector in Romania, and 75.9% of the total number of employees of Romanian companies. The key point to note is the comparison between the number of SMEs and large companies, the latter representing only 0.12% of Romania's private sector, and reporting only 35.76% of the total profit and 24.06% of the total number of employees.

case study of Romania to provide in-depth information about the peculiarities of the monetary and state aid tools used. The data on the monetary policy measures were gathered from the ECB Data Portal and the central banks of EU's non-eurozone members, while the data for key state aid indicators were retrieved from the official database of the latest State Aid Scoreboard, published by the European Commission.

1. Literature review on monetary support and state aid during the COVID-19 pandemic

In fighting the effects of the "black swan" COVID-19 pandemic, government authorities and central banks in the EU acted faster than during the global financial crisis, and their actions had a wider scope. They took unparalleled decisions on state aid rules, while the central banks' balance sheets reached unprecedented levels aiming to help the economy absorb such an extraordinary exogenous shock. According to Cavallino and De Fiore (2020), asset purchases – meant to achieve the objectives set by the central banks – helped contain the costs of fiscal expansions.

A considerable body of research investigated the effectiveness of monetary support in the EU during the COVID-19 crisis (Beckmann *et al.*, 2020; Cavallino and De Fiore, 2020; O'Donnell *et al.*, 2024; Moschella, 2024 etc.). Beckmann *et al.* (2020) contended that monetary measures have been particularly effective in times of significant financial stress, and provided empirical evidence on the positive effects of asset purchases in the eurozone launched in response to the COVID-19 pandemic. At the same time, O'Donnell *et al.* (2024) analysed the impact the 188 monetary policy announcements had on the banking stocks in China, the U.S., and Europe, and thus demonstrated that those announcements – targeting different economic mechanisms – had produced diverse market reactions throughout the COVID-19 crisis. Moreover, Moschella (2024) argues that central banks, such as the Federal Reserve System and the European Central Bank, strategically deviated from the orthodox monetary policies during the COVID-19 crisis, by implementing largely unknown and unconventional measures of a political nature that made them assume a new role in coordination with the fiscal authorities.

The literature provides also an ample analysis of the importance of state aid for economic recovery (Dani, and Menendez, 2020; Doleys, 2012; Ferri, 2021; Kassim, and Lyons, 2013; Koopman, 2011; Kubera, 2021). However, the results of the various researches on the effectiveness of state aid in mitigating economic turbulences (generated by the pandemic) are mixed. Some studies revealed that state aid was an effective tool when addressing the pandemic shock at the EU level: it contributed to increasing the economic resilience, and speeding up the post-pandemic recovery (Burger, 2021; Tuominen *et al.*, 2022; Börner and Seeleib-Kaiser, 2023). At the same time, others provide evidence on the disruptions it has brought to the free-market competition. Motta and Peitz (2020) argued that, while state aid is useful in reducing the harmful effects of a crisis on the EU's economy, the non-harmonised national regulations on state aid may prove disruptive for the internal market of the EU, and for the European trade.

Moreover, Agnolucci (2022) pleads for a strictly regulated framework for exceptional state aid, and for an EU-wide framework dedicated to critical sectors and aimed at maintaining a level playing field for European companies, while preventing harmful market distortions. As regards the aid granted for limiting the scarcity of liquidity and for supporting financial institutions, Bertschek *et al.* (2024) argued that, while certainly justified, such aid must remain temporary to avoid unlawful competition in the EU. In addition, Fernández (2020) warned that the extension of the scope of the Temporary State Aid Framework well beyond liquidity support and employment preservation, to include the recapitalisation of businesses, must be closely supervised to prevent businesses from obtaining unfair advantages and unjust profits in the post-pandemic period.

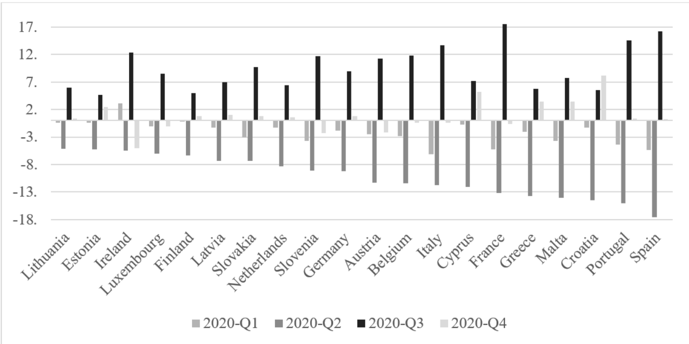
Despite this profusion of studies devoted to monetary support and state aid during the pandemic, few have sought to compare the monetary policies and state aid provided by different EU Member States, whereas the specificity of the monetary support and state aid granted in Romania is hardly mentioned in those studies. This article fills that gap by describing and comparing the monetary support and state aid offered by Romania and other EU Member States, and it unveils how Romania coped with the pandemic challenges.

2. Monetary support and state aid under the pandemic challenges across the EU

The magnitude of the lockdown measures and of the COVID-19-related restrictions was so great that it affected all the eurozone and non-eurozone countries of the EU, particularly in the second quarter of 2020. A major economic decline in the euro area was registered in Spain, Portugal, Croatia, Malta, and Greece, ranging from -17.6% in Spain to -13.7% in Greece (*Figure 1*), since these states closed all their tourist attractions.

In the meantime, Ireland, Estonia, and Lithuania registered less severe contractions of their economic output, as they reopened earlier their national economies. In addition, Ireland's sectoral strengths (pharma, digital services, and financial services) maintained its robust export performance, while the resilience of Estonia and Lithuania was ensured by stable government expenditures, and one of the lowest COVID-19 infection rates in the EU (Parliament of Estonia, 2020).

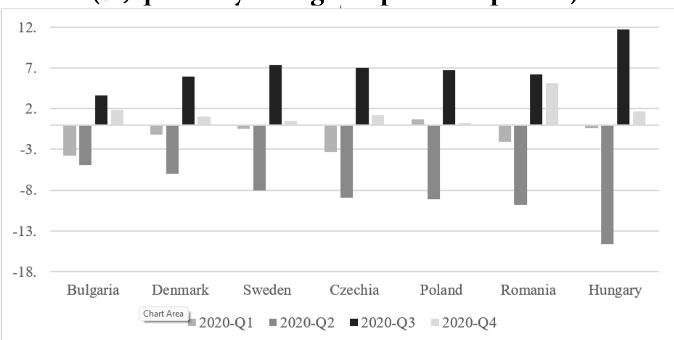
Figure 1. Real GDP in the eurozone states, in 2020 (%, quarterly change on previous period)



Source: *Authors' representation based on Eurostat data (2024).*

At the same time, the most affected non-eurozone members of the EU were Hungary, Romania, Poland, and Czechia, facing a real GDP drop ranging from -14.6% in Hungary to -8.9% in Czechia, while the economies of Sweden, Denmark, and Bulgaria, were down by less than 8% in the second quarter of 2020 (*Figure 2*).

Figure 2. Real GDP in non-eurozone members of the EU, in 2020 (%, quarterly change on previous period)



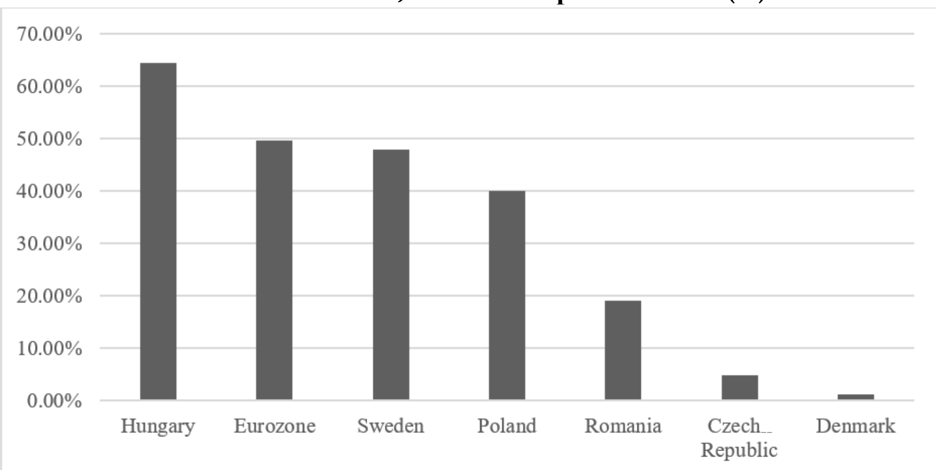
Source: *Authors' representation based on Eurostat data (2024).*

Against this background, the ECB and the non-eurozone central banks made significant steps toward easing their monetary policy stance starting with March 2020. Thus, they tried to mitigate the negative impact of the COVID-19 pandemic.

As the key rate in the euro area was already at extremely low levels, the ECB complemented its monetary policy framework with some unconventional instruments. More precisely, it announced additional purchases of assets within the existing programmes, worth 120 billion euros, and launched the Pandemic Emergency Purchase Programme (PEPP), worth 750 billion euros (later, its financial ceiling reached 1,850 billion euros). In addition, it carried out long-term refinancing operations to enhance the accommodative stance of its monetary policy and further stimulate lending. It also reduced the interest rate on targeted long-term refinancing operations. All these measures led to a higher-than-expected increase in the refinancing of credits granted to commercial banks (around 1.31 trillion euros) in June 2020 (European Central Bank, 2020). Moreover, the unprecedented asset purchase programmes led to a historic growth of the ECB assets, worth 6.9 trillion euros in December 2020 (*Figure 3*). A new element introduced in the ECB's unconventional monetary policy was the elimination of the 33% limit for the purchase of government bonds within the PEPP. The ECB also recommended that banks postpone the payment of dividends until October 2020. In addition, it relaxed several prudential requirements, e.g. the requirement regarding the degree of indebtedness for commercial banks, by excluding some exposures to central banks.

While the balance sheet of the ECB increased by 50% in 2020 compared to the previous year, the growth of the assets of non-euro area central banks ranged from 1.19% to 64% (*Figure 3*). These divergences were caused by the decisions of EU Member States to focus on different monetary policy tools to mitigate the economic collapse.

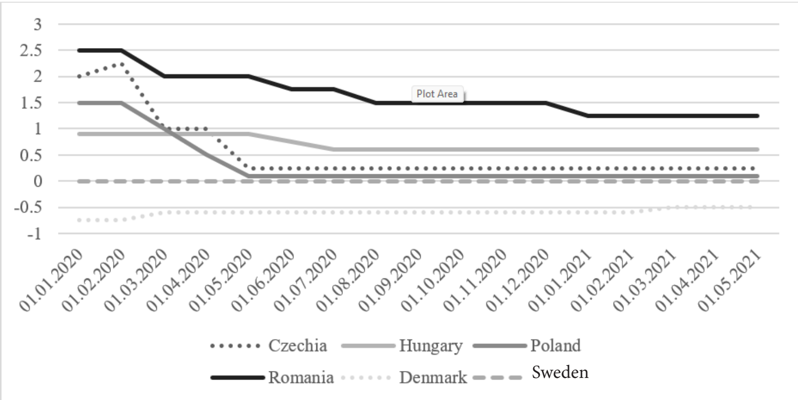
Figure 3. Growth rate of central banks' assets in the eurozone and non-eurozone members of the EU, in 2020 compared to 2019 (%)



***Source:** Authors' representation based on ECB and non-eurozone central banks' data (2023).*

The monetary authorities of Hungary, Sweden, and Poland focused mostly on the purchase of government or corporate securities to overcome the negative effects of the pandemic, while those of Denmark, Czechia, and Romania mainly opted for open-market operations, supplying banks with adequate liquidity. Consequently, due to important asset purchases, Hungary, Sweden, and Poland experienced a significant surge in their central banks' balance sheets, by 64%, 48%, and 40%, respectively. By contrast, Denmark, Czechia, and Romania recorded a smaller increase, by 1.19%, 5% and 19%, respectively. For the first time, Poland and Romania resorted to purchases of government bonds on the secondary market to make financial resources available to the government and the real economy. Moreover, most non-eurozone countries (excepting Bulgaria[4], Sweden[5], and Denmark[6]) reduced the reference rate in the pandemic years 2020-2021 to ensure favourable financial conditions (*Figure 4*).

Figure 4. Monetary policy interest rate in non-eurozone members of the EU, during the 2020-2021 period (%)



***Source:** Authors' representation based on BIS data (2023).*

The fastest decisions on the key rate cuts were taken by Czechia, Romania, and Poland, which reduced it in March 2020, while Hungary cut the rate only in June, offering unlimited lending at a fixed interest rate, and postponing the application of the minimum reserve requirements.

In addition to monetary support, in March 2020, the EU authorities adopted the Temporary State Aid Framework to help the European economy in the context of the COVID-19 outbreak (European Commission, 2020). As a result, the EU countries were encouraged to grant state aid to the most affected sectors (e.g., HORECA and airline sectors, cultural institutions forced to shut down), while special derogations were allowed for sensitive sectors such as the agricultural one (Drăgoi, 2020).

The highest level of state aid – granted for major economic disturbances in the first pandemic year – allowed under the Temporary Framework was recorded in

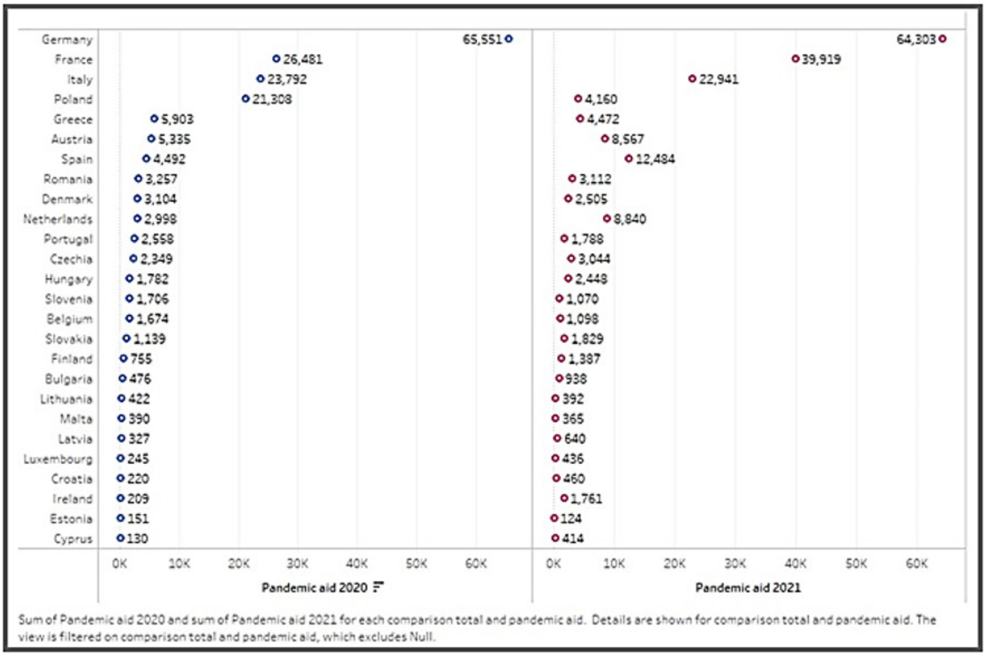
[4] In the mid-1997, after a period of hyperinflation, sharp currency depreciation, and financial instability, a currency board arrangement was introduced in Bulgaria. Since then, the Bulgarian central bank has not been able to perform open-market operations. The monetary policy was eliminated as the authorities can only determine the minimum reserve requirements and banking regulations (Peykov, 2022).

[5] In December 2019, the Executive Board of the Riksbank decided to raise the key rate from -0.25 per cent to zero per cent (BIS, 2023).

[6] Starting from September 2014, the key rate in Denmark has been negative. In March 2020, the National Bank of Denmark increased its headline interest rate by 10 basis points to -0.65% (BIS, 2023).

Germany, France, and Italy, while Croatia, Ireland, Estonia, and Cyprus used this tool significantly less (*Figure 5*).

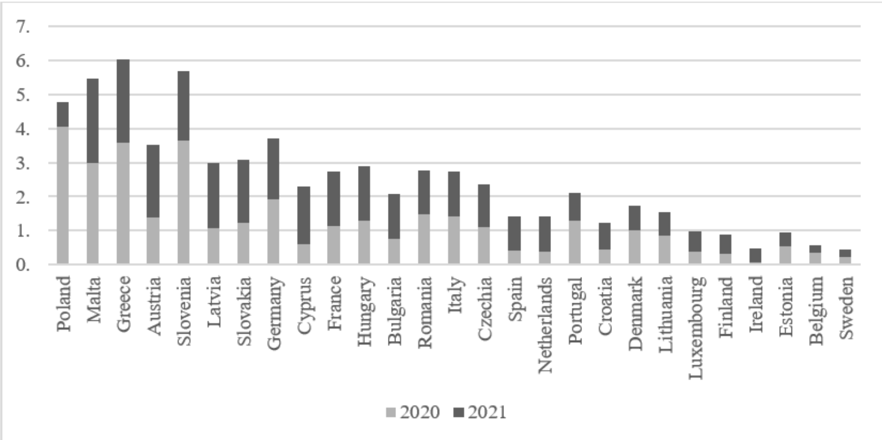
Figure 5. Pandemic state aid provided by the EU Member States, between 2020-2021



Source: *Authors' representation based on State Aid Scoreboard data (European Commission, 2022).*

In 2020, the pandemic state aid correlated with the national GDP reveals that the most affected countries were Poland (with a share of state aid reaching 4.04% of its GDP), Slovenia (with 3.63%), Greece (with 3.57%), and Malta (with 2.98%). Romania also provided an exceptional amount of state aid commensurate with its economy (1.48% of its GDP), ranking sixth among the Member States of the EU (*Figure 6*). In 2021, the value of the state aid related to the pandemic crisis increased in most of the states: the largest shares of national GDP dedicated to state aid were recorded in Malta (2.48%), Greece (2.46%), and Austria (2.18%). The same year, in Romania the need for state aid slightly decreased, as it reached only 1.30% of its GDP.

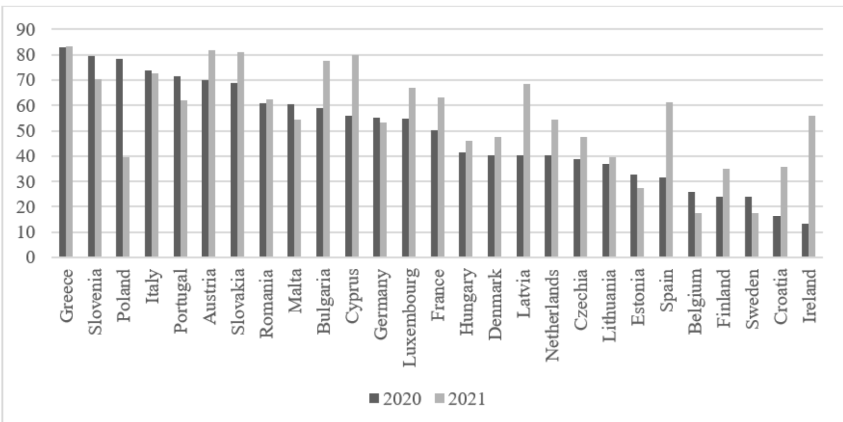
Figure 6. The share of national GDP provided for pandemic state aid by the EU Member States, between 2020-2021 (%)



Source: *Authors' representation based on State Aid Scoreboard data (European Commission, 2022).*

A cross-country analysis of the state aid related to the COVID-19 crisis reveals that the pandemic support accounted for a large share of the total state aid provided by the Member States (*Figure 7*). This confirms the important role of the Temporary Framework. During 2020, the greatest share of pandemic-related state aid from the total state aid was granted by Greece (83%), Slovenia (79%), Poland (78%), Italy (73%), and Portugal (71%), while the lowest was recorded in Croatia (16%) and Ireland (13%). Romania ranked eighth among the EU countries, with a 60% share of pandemic support. In the second pandemic year, the state aid granted under the Temporary Framework was considerably higher in half of the countries, with the largest growth being recorded in Ireland, Cyprus, the Netherlands, and Spain.

Figure 7. The share of pandemic state aid from the total aid provided by the EU Member States, between 2020-2021 (%)



Source: *Authors' representation based on State Aid Scoreboard data (European Commission, 2022).*

Moreover, direct grants were the preferred state aid tool, accounting for more than 50% of the total pandemic-related aid expenditure in most Member States. In 2021, direct grants rose significantly (from 26% to 51% of the total), whereas credit-based instruments utterly decreased (i.e., loans dropped from 25% to 3% of the total, while guarantees declined from 22% to 13% of the total) (European Commission, 2024). At the same time, other types of state aid tools, such as tax advantage measures and equity interventions, represented a much lower share of the total COVID-19 support. The unprecedented level of state aid expenditure in all of the EU's Member States was possible mainly due to the European Commission's incredible speed and adaptability to exceptional circumstances. It is important to notice that such a derogation from the state aid regulations was only once allowed before, namely during the 2008-2009 international financial crisis.

Moreover, the European state aid policy actively promoted support for SMEs, largely due to their minimal distorting impact on free competition within the EU (Drăgoi, 2015). Furthermore, following the implementation of the Temporary Framework, all Member States have introduced numerous schemes aimed at supporting SMEs, as evidenced in the next section.

The COVID-19 crisis required an immediate response at the EU level to mitigate the negative economic effects, and the monetary support and state aid proved to be the lifeline. The monetary support was a crucial force for stabilising the European economies: it helped avoid a liquidity and credit crunch in the EU during the pandemic. In addition, the unprecedented number of state aid schemes approved by all EU Member States helped in overcoming the fallout of the economic turbulence. Consequently, all EU countries showed signs of revival starting with the third quarter of 2020 (*Figure 1* and *Figure 2*). These positive evolutions were also driven by the prospects of developing a vaccine against COVID-19, and the removal of the travel and mobility restrictions.

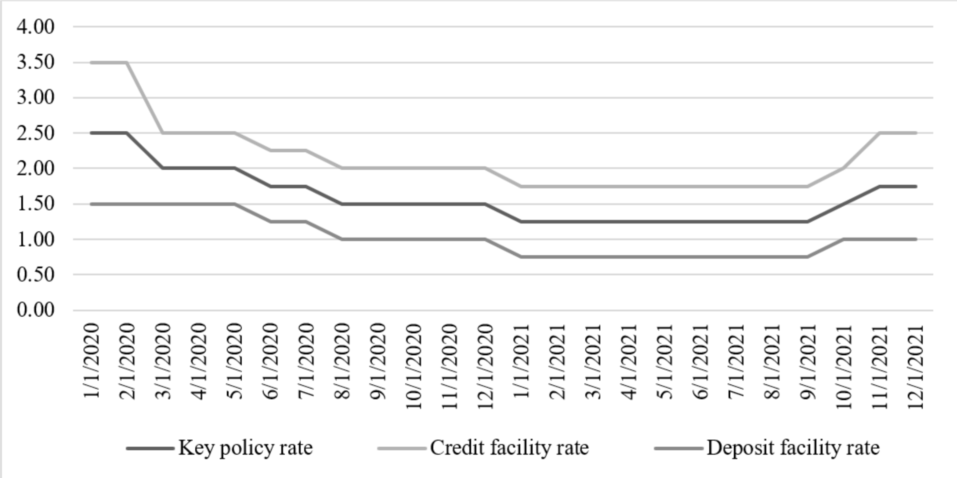
3. The monetary support and state aid in Romania

In the middle of the first quarter of 2020, in Romania, just like in other European countries, the COVID-19 pandemic produced rapidly a severe deterioration of the economic environment. In addition to the measures taken at the European level to limit the adverse effects of the health crisis on the real economy and on the financial markets, the Romanian authorities and the National Bank of Romania (NBR) had a prompt reaction, providing unprecedented monetary support and state aid.

On March 20, 2020, the NBR adopted a substantial support package, which implied reducing the reference rate, carrying out repo operations, and purchasing for the first time state securities from the secondary market to facilitate credit provision to the real economy (National Bank of Romania, 2020).

Firstly, the NBR cut down the policy rate by 50 percentage points and narrowed the interest rate corridor on its standing facilities (*Figure 8*). Secondly, the NBR injected an important amount of liquidity into the financial system, by repo operations, to cover the structural liquidity deficit and help the banking system provide credit to the real economy.

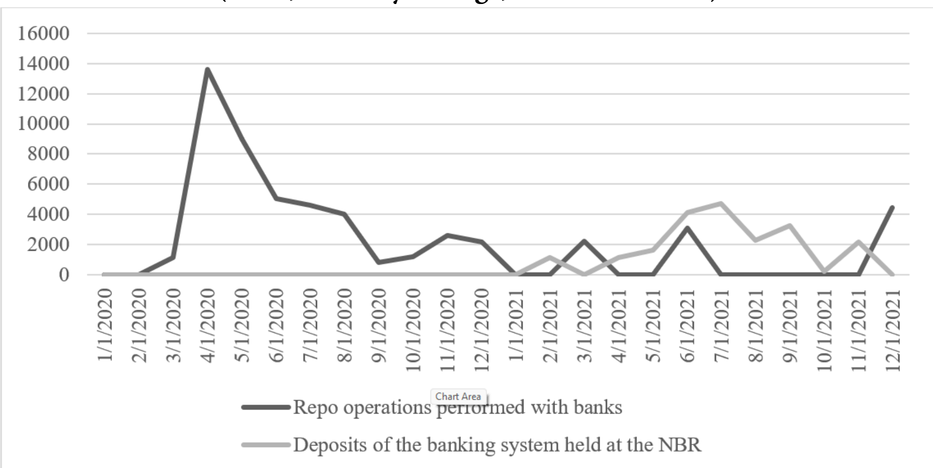
Figure 8. Interest rates of the NBR between 2020 and 2021 (%, monthly values)



Source: *Authors' representation based on National Bank of Romania's data (2024).*

The total value of injected liquidity reached 44.3 billion lei in 2020, while the banking system debt to the NBR rose to a peak value of 13.6 billion lei in April 2020 (*Figure 9*). These operations supported the credit activity of the banking system on a monthly basis until December 2020.

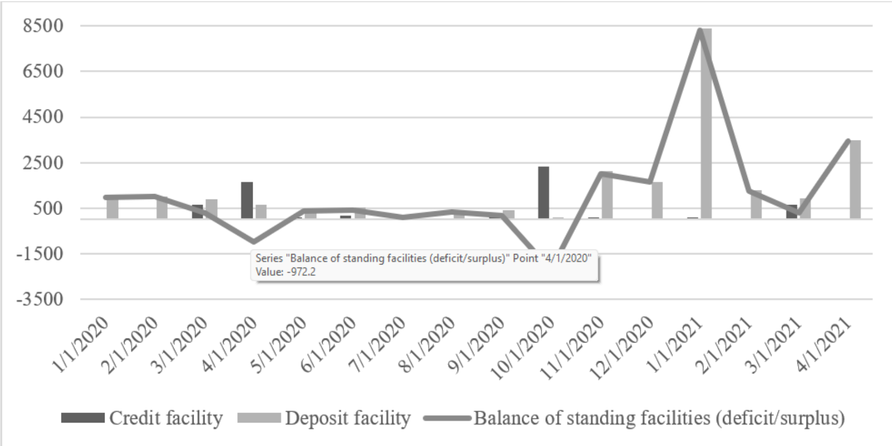
Figure 9. Open-market operations performed by the NBR, between 2020 and 2021 (stock, monthly average, in millions of lei)



Source: *Authors' representation based on National Bank of Romania's data (2024).*

In addition, the economic collapse caused by the lockdown led to several episodes of overnight liquidity deficits in the interbank market. The latter were unveiled by the negative balance of standing facilities granted by the NBR to the banking sector in April 2020 and October 2020[7]. Since November 2020, when the Romanian economy showed signs of recovery, the value of overnight deposits started to surpass significantly the overnight credits in the financial system (*Figure 10*).

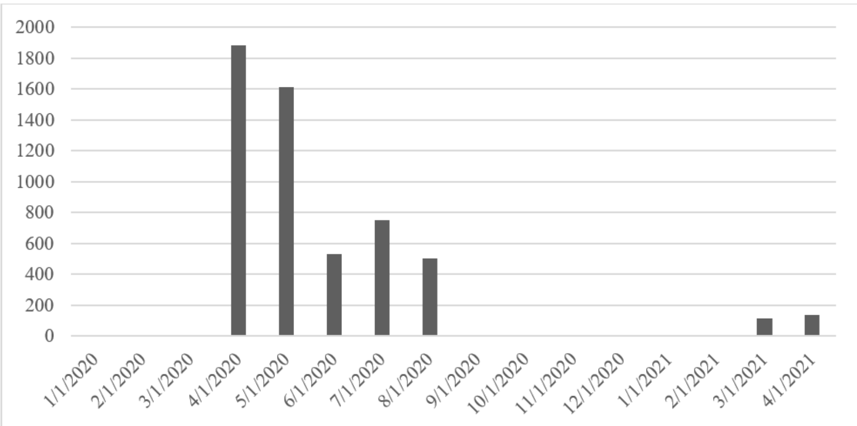
Figure 10. Standing facilities granted by the NBR to the banking sector, between 2020 and 2021 (stock, monthly average, in millions of lei)



Source: *Authors' representation based on National Bank of Romania's data (2024).*

Thirdly, after the freeze of the government bond market, and the rise of the 10-year interest rate to over 6% on March 19, 2020, the monetary authority decided for the first time to purchase state securities from the secondary market. Thus, between April and August 2020, the NBR purchased government bonds worth 5.2 billion lei (*Figure 11*), hoping to ease the economic recovery and ensure medium-term price stability.

Figure 11. Leu-denominated government securities purchased by the NBR on the secondary market, between 2020 and 2021 (in millions of lei, end of period)



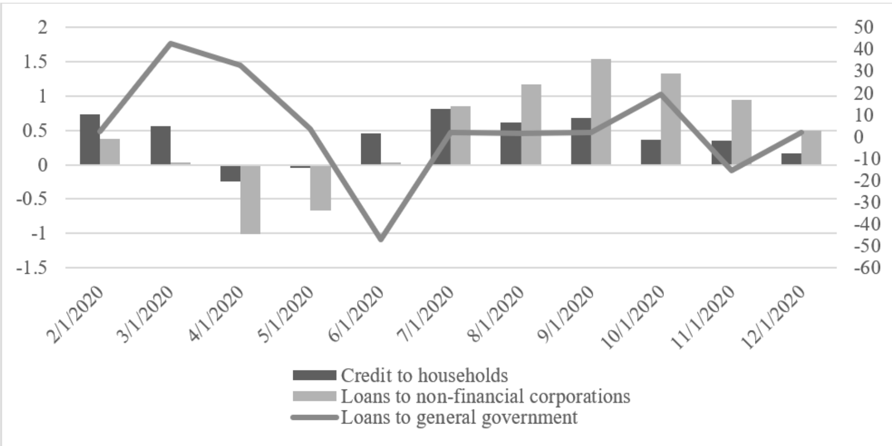
Source: Authors' representation based on National Bank of Romania's data (2024).

[7] Standing facilities are monetary policy instruments that enable the central bank to provide or absorb overnight liquidity in the financial system. They are available to counterparties on their own initiative.

The approach of the NBR, bent on ensuring liquidity (for the financing needs of the real economy) and on sustainably lowering interest rates, has succeeded in achieving these goals. It led to a gradual decrease of the interest rates and contributed to the smooth financing of the government and of the real economy. The interest rate on the interbank market 3M ROBOR (ROBOR at 3 months), used as a benchmark for bank loans, fell from 3.24%, on March 19, to 2.15% on June 18, and the benchmark rates on the secondary government bond market continued their downward movement (National Bank of Romania, 2024).

In addition, the growth rates of credits granted to households and companies recorded negative values only for two consecutive months (April and May 2020). Starting from July, they had a strong recovery. In turn, the financing of the government declined only in June and November, by 47% and 15%, respectively (*Figure 12*).

Figure 12. Loans granted by the Romanian banking sector, in 2020 (%, monthly growth on previous period)



Source: *Authors' representation based on National Bank of Romania's database (2024).*

The Romanian authorities supplemented the monetary support with unprecedented state aid schemes amounting to 7.8 billion euros. These were approved by the European Commission between 2020 and 2022 (*Table 1*). Romania was one of the EU members that fully used the flexibility of the Temporary Framework to support the most affected sectors of its economy and soften the economic downturn. From the 7.8 billion euros dedicated to pandemic state aid schemes, approved by the European Commission, Romania provided 6.4 billion euros in state aid (*Figure 5*).

SMEs faced the most serious difficulties because of the economic impact of the COVID-19 (Drăgoi, 2020). Considering their major role in the Romanian economy (Antonescu, 2024), the first pandemic-related state aid scheme of 3.3 billion euros, consisting of direct grants and state guarantees for investment and working capital loans (*Table 1*), was approved for SMEs on April 11, 2020. To facilitate the access of SMEs to funding under the State Aid Temporary Framework, on April 28, 2020, the largest programme dedicated to SMEs in the last 30 years was created, namely SMEs Invest[8]. The necessary liquidity for companies affected by the pandemic was provided through 21 eligible banks in the form of loans and credit lines, with a state guarantee covering up to 90% of these loans, the interest and the guarantee commission being borne entirely from the state budget. Although the scheme targeted specific sectors or types of businesses particularly affected by the pandemic (such as those in hospitality, tourism, retail, and manufacturing), the eligible SMEs could be selected from any economic sector, except for gambling, tobacco, and alcohol sectors, production or sale of weapons, ammunition, explosives. Consequently, the Romanian authorities managed to cover acute liquidity needs of the SMEs in 2020, ensuring that banks provide loans to all eligible SMEs affected by pandemic difficulties[9]. The balance of the two-year implementation of SMEs Invest records 60,000 guarantees granted, worth 33 billion lei, which supported loans amounting to 40 billion lei. Following this injection of capital into the economy, one million jobs have been saved (FNGCIMM, 2022). The success of the SMEs Invest scheme prompted the adoption of a similar scheme on July 1, 2022, i.e., SMEs Invest Plus, which aimed to offer support to enterprises affected by the economic difficulties triggered by the current Russian-Ukrainian war.

In addition to the support granted to SMEs, nine schemes approved between 2020 and 2021 assisted the transport sector seriously affected by the travel restrictions and lockdowns. Starting from July 2020, the Romanian authorities began to compensate – through direct grants and loan guarantees – the largest transport companies for the high losses incurred in the pandemic context.

Table 1. Pandemic-related state aid schemes approved for Romania by the European Commission, during 2020 and 2021[10]

Date and details about the state aid	Value of the state aid (in billions of euros)	Type of financing instrument	Sector
On April 11, 2020, a scheme to support small and medium-sized enterprises (SMEs) was approved.	3.3	Direct grants, state guarantees, working capital loans.	SMEs
On July 2, 2020, a scheme to support certain SMEs and large companies was approved.	0.800	Subsidised loans, loan guarantees.	SMEs, large companies.
On July 28, a scheme was approved for the airlines resuming or starting flights to and from Oradea airport in Romania.	0.001	Direct grants	Transport
On August 6, a scheme to support the Timişoara Airport was approved.	0.011	Direct grants	Transport

[8] After the end of the pandemic, the platform continued to be used for the SMEs Plus scheme that supports SMEs affected by the economic difficulties created by the Russian invasion of Ukraine. The platform for the scheme is available at www.imminvest.ro.

[9] Until December 31, 2020, through SMEs INVEST, 25,586 loans were granted, with a value exceeding 15 billion lei. These credits were supported by state aid of over 291 million lei, and through the programme it is estimated that over 443,000 jobs were saved (https://www.fngcimm.ro/comisia-europeana-prelungeste-si-extinde-cadrul-temporar-al-ajutoarelor-de-stat).

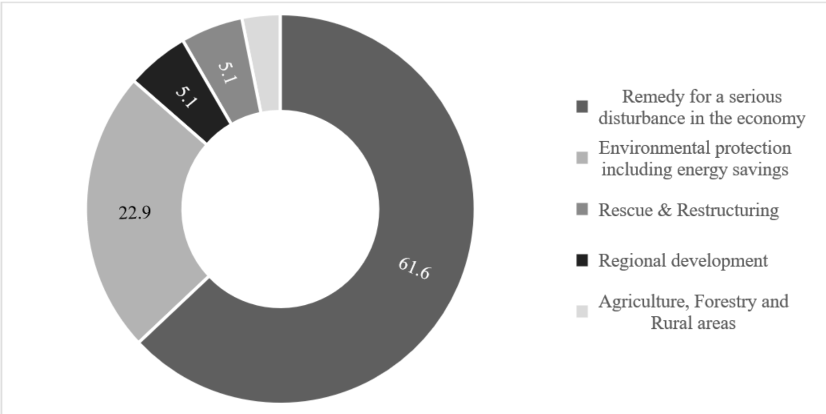
[10] After June 2022, the Temporary Framework for state aid was not extended.

On August 20, 2020, a loan guarantee in favour of the Romanian airline Blue Air was approved.	0.062	Loan guarantees	Transport
On August 27, 2020, state aid was granted for working capital and productive investments, accessible to SMEs active in specific sectors, but also to certain large companies related to the eligible SMEs.	0.935	Direct grants	SMEs, large companies.
On September 2, 2020, two schemes were approved to support companies active in the pig and poultry breeding sectors.	0.047	Direct grants	Agriculture
On October 2, 2020, a measure was approved in favour of the Romanian state-owned airline TAROM.	0.019	Loan guarantees	Transport
On October 16, 2020, a scheme to support the trade credit insurance market was approved.	0.103	Loan guarantees	Insurance
On November 20, 2020, a scheme was approved for airlines resuming or starting flights to and from Sibiu airport in Romania.	0.001	Direct grants	Transport
On November 20, 2020, a scheme to support wine producers affected by the pandemic was approved.	0.012	Direct grants	Food and beverages
On November 23, 2020, a scheme was approved to compensate regional airport operators for the damage suffered due to the pandemic.	0.004	Direct grants	Transport
On November 24, 2020, a scheme was approved to help SMEs cover their liquidity shortages.	0.216	Direct grants	SMEs
On April 15, 2021, a scheme to support companies active in tourism, accommodation, food services, was approved.	0.500	Direct grants	Tourism
On May 21, 2021, a scheme to support the activity of cattle breeders was approved.	0.046	Direct grants	Agriculture
On June 21, 2021, a scheme was approved to support companies active in the independent cultural sector in Bucharest.	0.610	Direct grants	Culture
On July 7, 2021, a scheme was approved to support airlines affected by the pandemic, and mitigate the sudden liquidity shortages.	0.001	Direct grants	Transport
On September 29, 2021, a scheme was approved for airlines starting international flights to and from Maramureș International Airport.	0.001	Direct grants	Transport
On October 27, 2021, a scheme was approved to support SMEs (processing industry, construction, wholesale and retail trade, repair of motor vehicles and motorcycles, transport, and storage).	0.358	Direct grants	SMEs
On November 22, 2021, a scheme was approved to support SMEs active in the sport sector in the municipality of Miercurea-Ciuc.	0.001	Direct grants	SMEs
On December 13, 2021, a scheme to support airport operators was approved.	0.010	Direct grants	Transport
On December 13, 2021, a scheme was approved to support sport clubs in the municipality of Sfântu Gheorghe.	0.800	Direct grants	Sport

Source: *Authors' representation based on data from the European Commission (2024).*

Consequently, during the period 2020-2022, the aid provided by Romania to remedy serious disruptions of the economy, caused by the pandemic, reached 62% of the total state aid, fact that confirmed the need for significant state support (*Figure 13*).

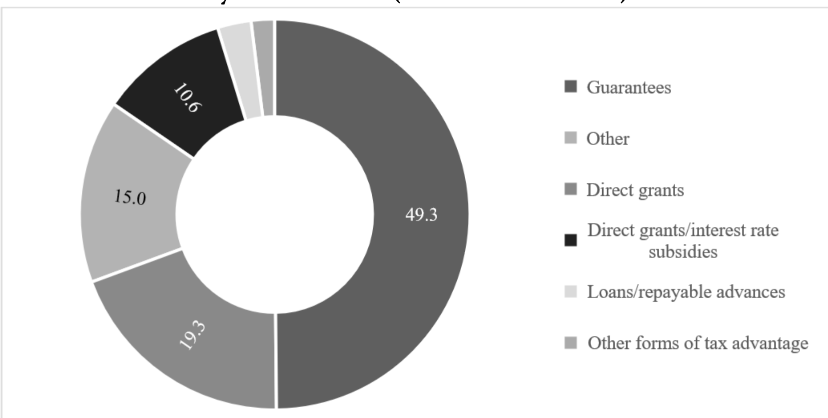
Figure 13. State aid provided by Romania during the period 2020-2021, by main objectives (% of total state aid)



Source: Authors' representation based on State Aid Scoreboard data (European Commission, 2022).

Moreover, the Romanian authorities opted for guarantees and direct grants, which constituted the largest part of the total state aid offered between 2020 and 2021, i.e., 49.3% and 29.9%, respectively (*Figure 14*).

Figure 14. State aid provided by Romania during the period 2020-2021, by instruments (% of total state aid)



Source: Authors' representation based on State Aid Scoreboard data (European Commission, 2022).

In conclusion, in fighting the pandemic consequences, the Romanian authorities had at their immediate disposal monetary and state aid tools to mitigate the major economic turbulence. Thus, the NBR injected an important amount of liquidity into the financial system through repo operations, and purchased for the first time state securities from the secondary market, thereby avoiding a credit crunch and a liquidity crisis and contributing to the smooth financing of the government and of the real economy. The monetary support was supplemented by important state aid schemes – approved by the European Commission – through the Temporary Framework whose main beneficiaries were Romanian SMEs. Using tailored tools for specific financial needs, Romania managed to support SMEs from a large range of sectors during the COVID-19 crisis. The optimal results of the state aid granted were due to the establishment of clear eligibility criteria that excluded the possibility of obtaining unjustified benefits for companies at the taxpayer's expense.

Conclusions

This research pursued two objectives: i.e., to conduct a cross-country analysis of the monetary support and state aid provided by Romania and other EU Member States in the context of the COVID-19 crisis, and to unveil the particularities of the monetary and state aid tools used by Romania to increase the resilience of its economy. The main results that emerged from this analysis are presented below.

Firstly, the monetary support was a crucial tool for stabilising the European economies. In the euro area, the ECB alleviated the economic consequences of the pandemic through unprecedented asset purchase programmes, and the long-term funding of European banks. Thus, it averted the liquidity and credit crises. At the same time, the non-eurozone central banks opted for distinct monetary tools to mitigate the economic collapse. Hungary, Sweden, and Poland focused mostly on the purchase of government or corporate securities, while Denmark, Czechia, and Romania mainly opted for open-market operations, supplying banks with adequate liquidity. In addition, the unparalleled number of state aid schemes, approved by all Member States, helped in overcoming the economic fallout generated by the pandemic. Direct grants were the preferred state aid tool, accounting for more than 50% of the total pandemic-related state aid in most Member States.

Secondly, Romania managed to use successfully the monetary and state aid tools, as shown by its economic recovery from the third quarter of 2020. The NBR injected an important amount of liquidity into the financial system, by repo operations and the purchases of state securities from the secondary market. In doing so, it averted a credit crunch and a liquidity crisis, and it contributed to the smooth financing of the government and of the real economy.

At the same time, the monetary support was supplemented by state aid schemes (approved under the Temporary Framework by the European Commission), guarantees, and direct grants (that constituted the biggest part of the total state aid), whose main beneficiaries were the SMEs. Overall, the state aid policy provided crucial support to Romanian SMEs during challenging economic times. It helped them to weather the impact of the COVID-19 pandemic and to contribute to the economic recovery and stability, saving over one million jobs.

Hence, we may conclude that the joint support provided by the monetary and state aid tools in Romania bolstered the real economy under exceptional circumstances.

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