

# **AID FOR RESCUING AND RESTRUCTURING OF UNDERTAKINGS IN DIFFICULTY: THE CONDITIONS AND RISKS OF PROVIDING IN THE EU AND THE POSSIBILITY OF USING IN UKRAINE**

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State aid for rescuing and restructuring is distinguished by controversy. On the one hand, government assistance to financial recovery of certain companies distorts competition, shifting the costs of inefficient enterprises in healthy competitors. The possibility of obtaining aid for rescue and restructuring leads to a harmful distortion of investment incentives, encouraging inefficient firms to higher risk, and efficient firms to lower risk when making investment decisions. Given the presence of significant risks, the European Commission is prohibiting state aid to enterprises. However, this prohibition is not absolute. Help may be justified by social hardship and market failure. An additional argument of correct public policy in directing efforts to the recovery of bankrupt enterprises is the using as instruments of crisis financial management of policies "second chance", which means re-start business activities of bankrupt.

To reduce the distortion of competition, the European Commission has developed a number of tools that are listed in the Guidelines on state aid for rescuing and restructuring

undertakings in difficulty. These instruments are governing the requirements for subjects, which receive aid and the criteria for compatibility of aid with the internal market. The conditions that determine the rules of aid for rescuing and restructuring companies include: reasons for recognition of the company in difficulty; prohibition to assist newly created undertaking; prohibition to assist companies that are a part of a larger business group.

Criteria for compatibility with the internal market are designed to verify aids conformity to the common interest of the EU. These criteria include: accordance with a common interest, substantiation of the need for state intervention, the feasibility of measures aid, incentive effect, the proportionality of the aid, avoiding unnecessary adverse effects, transparency of aid.

Despite the risks of government intervention in the activities of business entities in Ukraine, there is a reason to providing relevance aid for rescuing and restructuring, especially for small and medium businesses.