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Results of the evaluation study

“The impact of the 2007-2013 Cohesion Policy on the competitiveness of enterprises and the development of entrepreneurship in Poland”

Presentation for the 12th International Evaluation Conference

Wrocław, 22.06.2017

Fundusze Europejskie

MINISTERSTWO ROZWOJU

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1. Objectives of the study

2. Research methodology

3. The impact of intervention in macroeconomic terms

4. The impact of intervention in microeconomic terms

5. Success factors, that is, what determines the efficient use of funds at company level?

6. Summary

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The main objective of the study

The evaluation of the effects of public intervention aimed **at increasing competitiveness (1) and the development of enterprises (2)** in Poland implemented as part of the 2007-2013 Cohesion Policy (Evaluation of the Objective 4 of the NSRF 2007-2013) within the framework of the following Operational Programmes:

- Operational Programme Innovative Economy (European Regional Development Fund),
- Operational Programme Human Capital (European Social Fund),
- Operational Programme Development of Eastern Poland (ERDF),
- 16 Regional Operational Programmes (ERDF)

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Data collection / data analysis methods used in the study

Desk research analysis	Statistical analyses based on KSI SIMIK data	Reconstruction of the intervention logic
In-depth individual interviews (IDI) with the MA of the OP IE, OP HC and OP DEP N=3	In-depth individual interviews (IDI) with the MA of ROP – MO N=16	In-depth focus group interviews (FGI) with entrepreneurs N=12
CAWI/CATI study with beneficiaries, N=900	CAWI/CATI study with non-beneficiaries, N=250	CAWI/CATI study with BEI, N=100
Counterfactual method of data analysis	Study with newly established entrepreneurs, N=700	Econometric model
Case Studies N=12	Expert panels N=2	
Verification of the intervention logic	Implementation workshop N=1	

LEGEND

- Qualitative data collection method
- Quantitative data collection method
- Qualitative method of data analysis
- Quantitative method of data analysis

Measures selected for analysis (based on the intervention category)

Direct measures

i.a.

- ✓ Direct investment grants
- ✓ Grants for training on attracting investors
- ✓ Grants for services and applications for SMEs
- ✓ Grants for employee training
- ✓ Grants for activities related to export development

Indirect measures

i.a.

- ✓ Expansion of infrastructure:
  - ICT
  - road
  - railway
  - aviation
  - maritime
- ✓ Investments in energy:
  - traditional
  - RES
- ✓ Support for tourism

Characteristics of interventions under the Cohesion Policy (2007-2013)

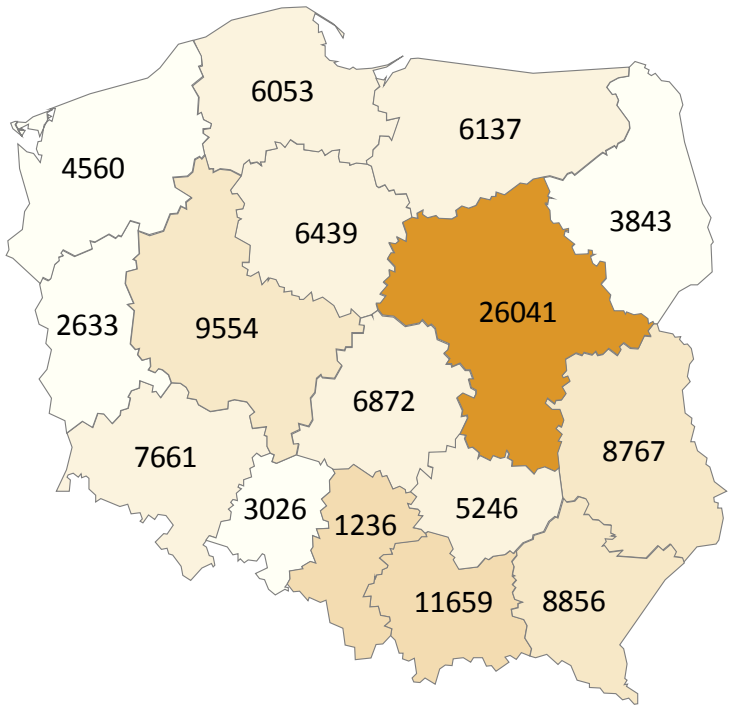
Scale of intervention

	Number of projects	Co-financing value (PLN million)	Average project co-financing value (PLN million)
Operational Programme Innovative Economy	18,569	35,826	1,93
Operational Programme Human Capital	13,408	24,252	1,81
Operational Programme Development of Eastern Poland	227	4,672	20,58
16 ROPs	34,726	64,984	1,87
Total	**66,930**	**129,734**	**1,94**

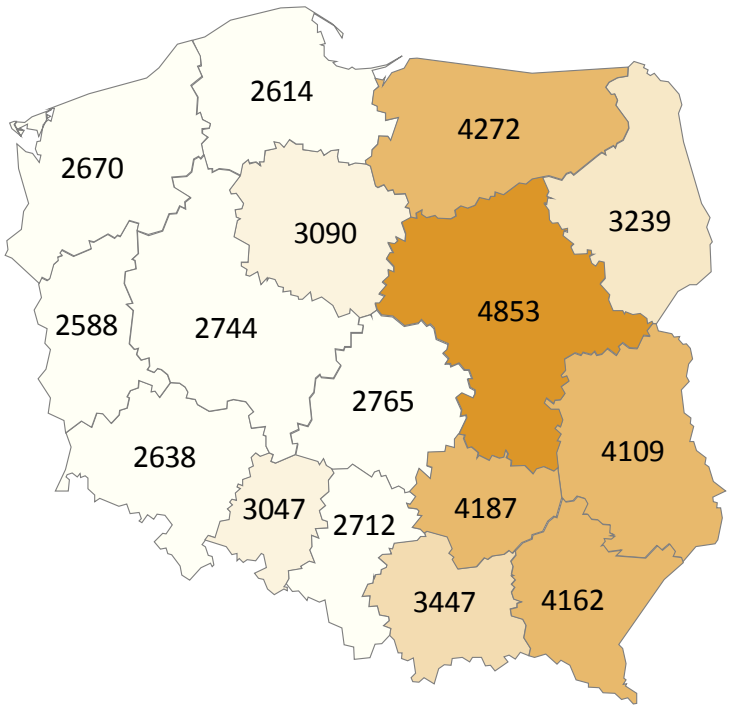
Characteristics of interventions under the Cohesion Policy (2007-2013)

Scale of intervention in regional terms (all OP)

(total value of co-financing in PLN million)



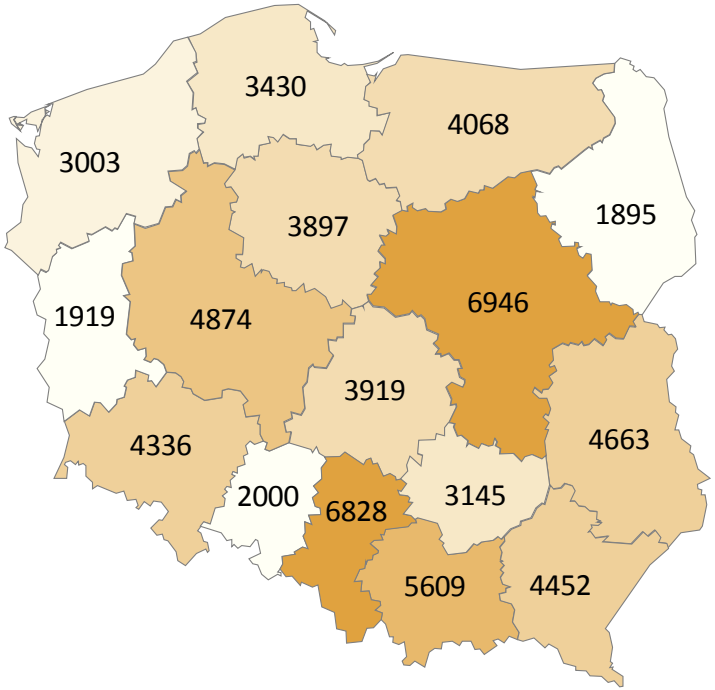
(value of co-financing per capita in PLN)



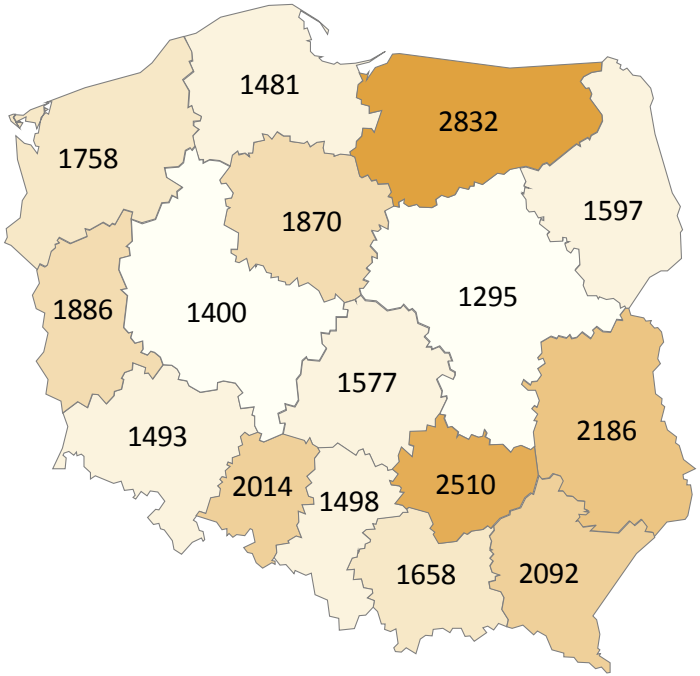
Characteristics of interventions under the Cohesion Policy (2007-2013)

Scale of intervention in regional terms (only ROP)

(total value of co-financing in PLN million)



(value of co-financing per capita in PLN)



Characteristics of interventions under the Cohesion Policy (2007-2013)

Proportion of enterprises directly covered by intervention (beneficiaries) in all OP

	Number of unique beneficiaries	Number of unique enterprises	Number of enterprises registered in REGON	Number of enterprises	Number of enterprises which received support
Poland	**37,646**	**30,942**	**4,119,671**	**1,842,589**	**1.68%**
Dolnośląskie	2,193	1,662	351,121	146,815	1.13%
Kujawsko-Pomorskie	1,935	1,489	192,078	89,128	1.67%
Lubelskie	2,655	2,205	171,620	77,205	2.86%
Lubuskie	878	682	110,084	45,817	1.49%
Łódzkie	2,269	1,930	239,578	119,903	1.61%
Małopolskie	3,404	2,908	356,785	169,626	1.71%
Mazowieckie	5,694	4,841	742,172	322,738	1.50%
Opolskie	1,168	944	100,077	38,096	2.48%
Podkarpackie	2,073	1,653	162,556	74,690	2.21%
Podlaskie	1,168	895	98,339	45,505	1.97%
Pomorskie	1,925	1,585	275,990	118,806	1.33%
Śląskie	4,311	3,602	461,933	212,357	1.70%
Świętokrzyskie	1,085	817	110,130	48,115	1.70%
Warmińsko-Mazurskie	1,782	1,390	123,361	53,529	2.60%
Wielkopolskie	3,624	3,134	404,419	188,527	1.66%
Zachodniopomorskie	1,479	1,202	219,406	91,731	1.31%

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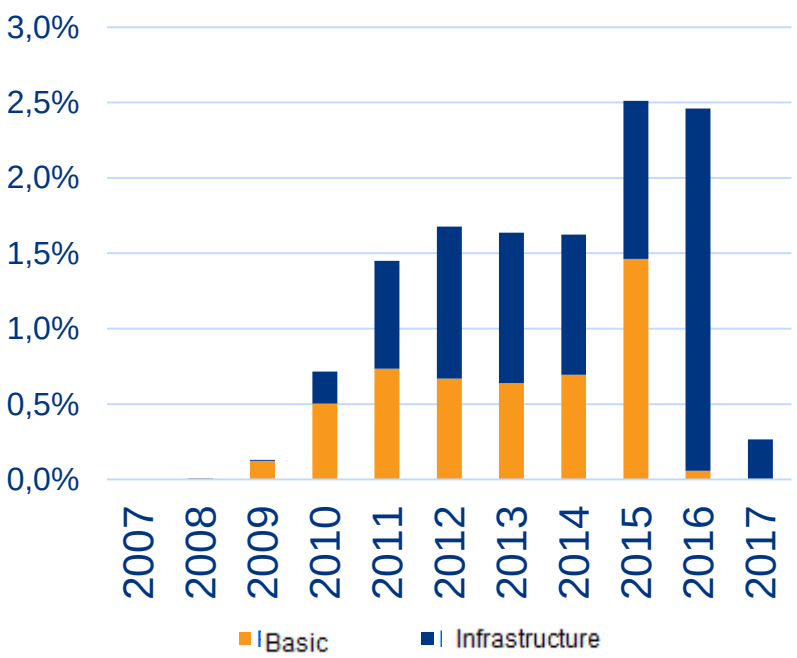
The effects of the 2007-2013 Cohesion Policy from the macroeconomic perspective

Scale of intervention in relation to total GDP

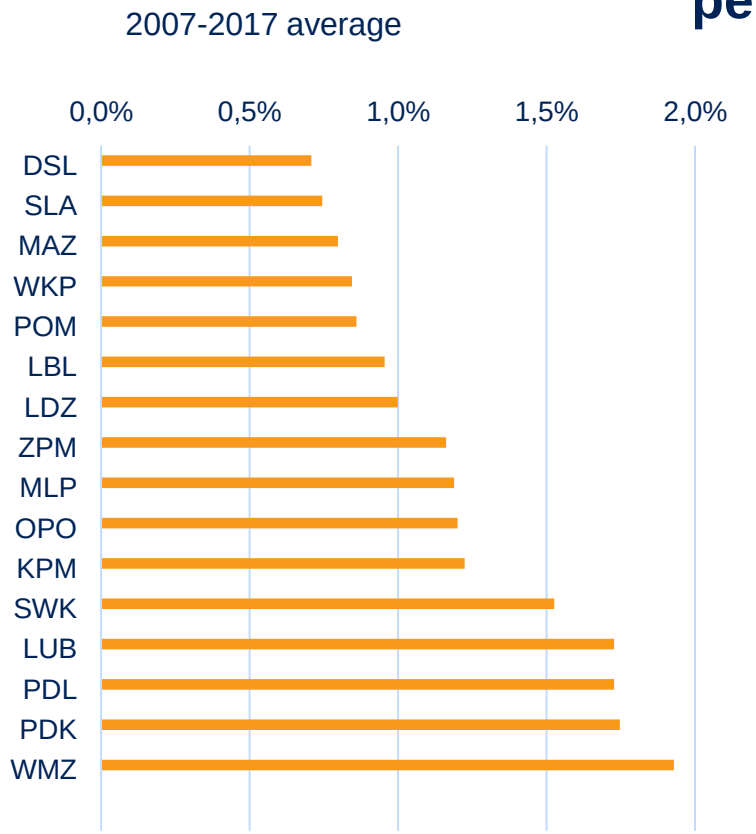


- The cohesion policy funds assigned to Poland as part of the financial perspective for – in line with the n+2 rule – 2007-2017 **have not been disbursed evenly**.
- Because of the delayed start in 2007, **first funds reached Polish beneficiaries in 2009**.
- However, in the following two years, the disbursement was prompted significantly and **attained 1.5% of GDP** to remain at this level until 2014.
- At the end of the financial perspective, a natural **cumulation of support occurred – the disbursed funds reached the level of 2.5% of GDP**.

Source: Simulations of the VESPA 2 model

The effects of the 2007-2013 Cohesion Policy from the macroeconomic perspective

Scale of intervention in relation to GDP from the regional perspective



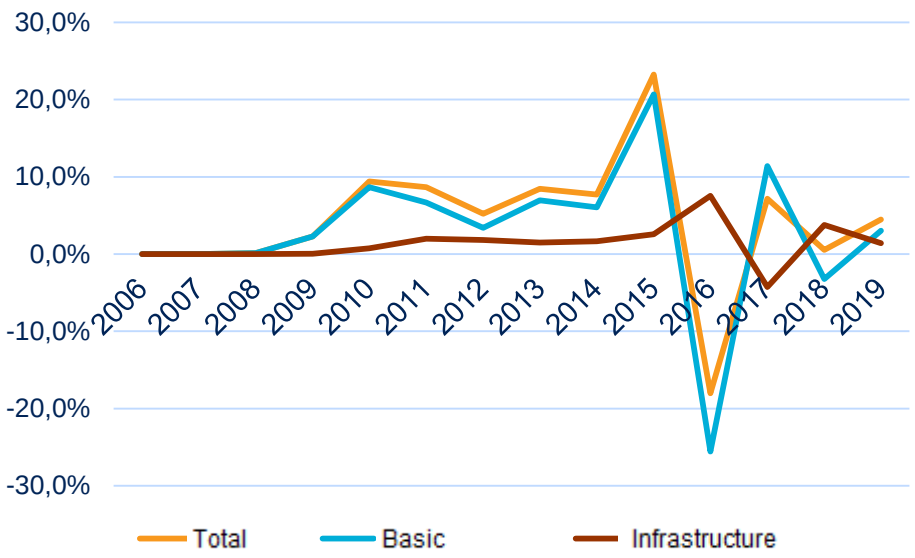
- In line with the guiding principle of EU's structural funds, **the largest beneficiaries of support turned out to be the relatively least developed voivodeships located in Eastern Poland**, which in the entire period 2007-2017 **received funds equivalent to 1.5% of their GDP**.
- In wealthier voivodeships – **Dolnośląskie, Śląskie, Mazowieckie, Wielkopolskie and Pomorskie –** this amount was two times smaller.

Source: Simulations of the VESPA 2 model

The effects of the 2007-2013 Cohesion Policy from the macroeconomic perspective

AREA: Competitiveness of enterprises

Impact on private investments (together with expenditure for R+D)



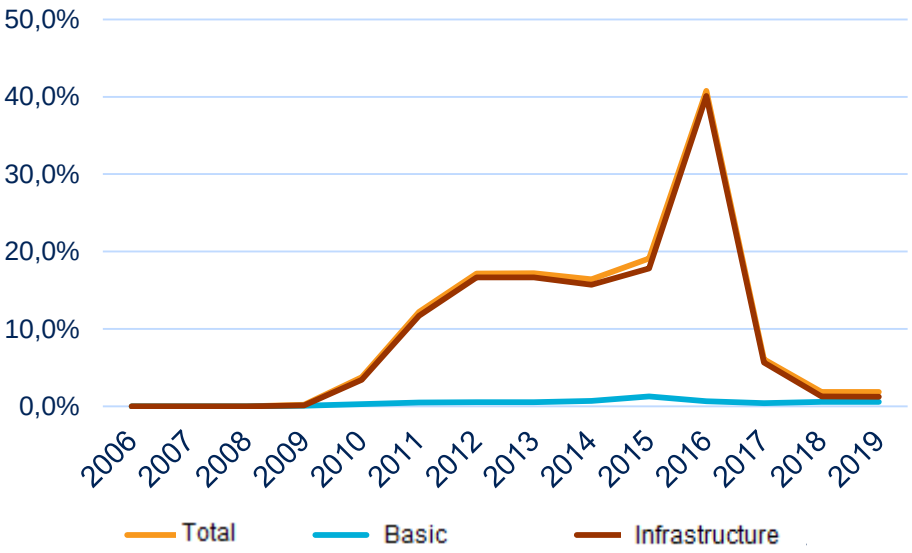
- **Private investments were higher due to the intervention by approx. 5-10% in the period 2010-2015**. Previously, the scale of intervention (and its impact) was slightly smaller.
- **The negative effect in 2017** is related to the fact that a **large proportion of investments was made earlier** and the level of capital is higher than the equilibrium.
- The intervention under "basic" measures has a direct impact on the **price of investment goods**, therefore it determines the impact of intervention on the investments of enterprises.

Source: Simulations of the VESPA 2 model

The effects of the 2007-2013 Cohesion Policy from the macroeconomic perspective

AREA: Competitiveness of enterprises

Impact on public investments



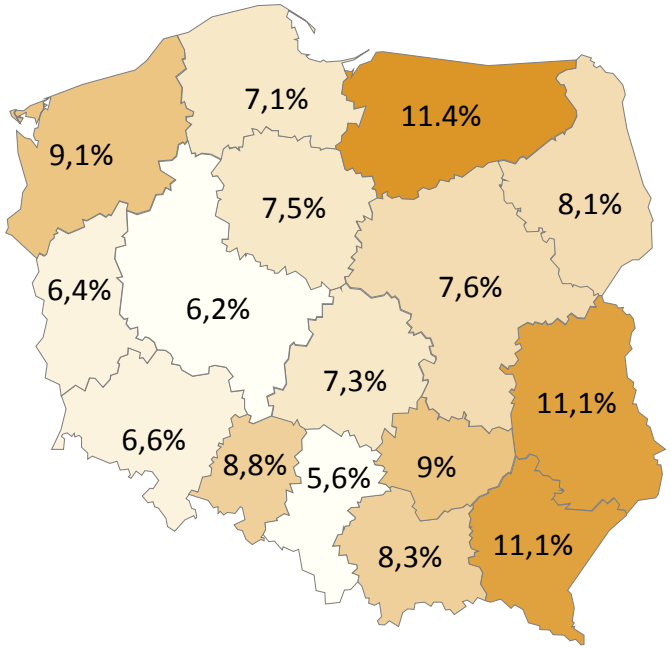
- **Public investments were higher due to the intervention by approx. 15-20% in the years 2011-2015**. In 2016, the impact of intervention reached 40%. Previously, the scale of intervention (and its impact) was slightly smaller.
- Public capital is affected by **almost exclusively interventions related to infrastructure**. The marginal impact of basic intervention is the result of an increase in tax revenue for the government due to the improvement of productivity and increased investment opportunities.

Source: Simulations of the VESPA 2 model

The effects of interventions in macroeconomic terms

AREA: Competitiveness of enterprises
Impact on investments by voivodeships

(gross, total in %, 2007-2016 average)



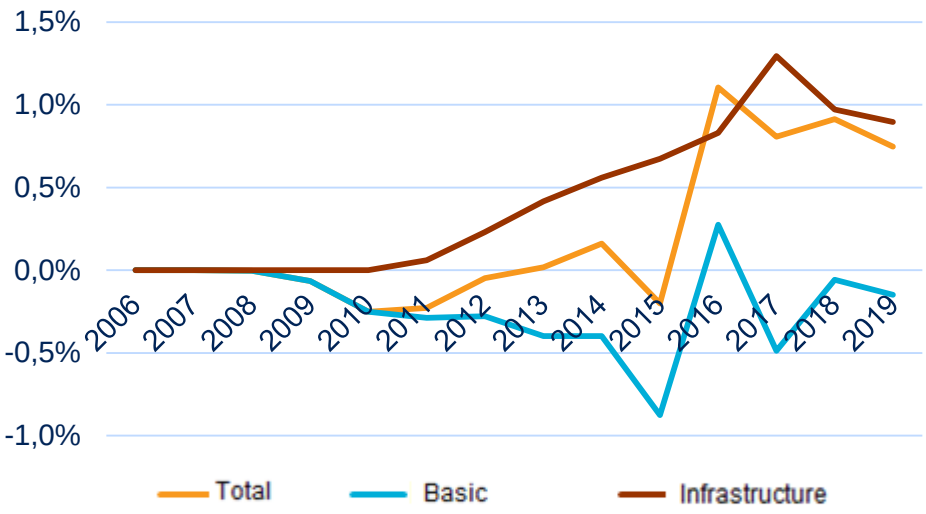
- **Investments recorded the highest increases** due to interventions in three voivodeships located in Eastern Poland, but the impact of intervention was also relatively strong in the Zachodniopomorskie and Opolskie voivodeships.
- This situation is a consequence of the **structure of suport and the prevalence** of infrastructure interventions in Eastern Poland's voivodeships.

Source: Simulations of the VESPA 2 model

The effects of interventions in macroeconomic terms

AREA: Competitiveness of enterprises

Impact on labour productivity



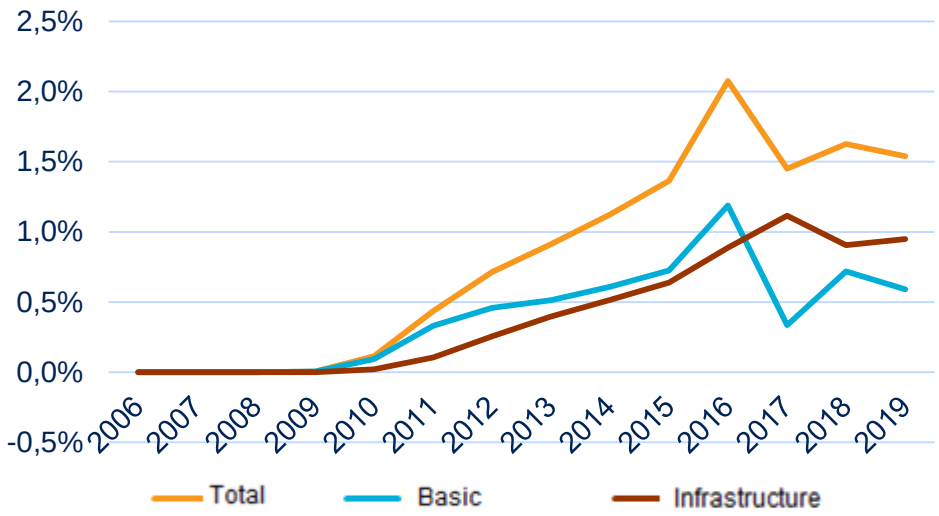
- **The initial negative impact of "basic" support on labour productivity** results from the fact that the programmes which provide direct support for investment activities of enterprises **simultaneously stimulate the demand for labour, increasing the level of employment of those persons who have previously been relatively less connected to the labour market** and thus less productive.
- **The impact on labour productivity occur with a lag** and will reach its **maximum level as late as around 2018**. Further, it remains stable, slightly below 1%.

Source: Simulations of the VESPA 2 model

The effects of interventions in macroeconomic terms

AREA: Competitiveness of enterprises

Impact on the revenues from sales



- The **revenues from sales** of Polish companies increased to a similar extent as a result of interventions carried out as part of basic measures as well as investments in infrastructure.
- Both types of intervention affect the revenues **from sales in a similar way** – they boost demand for products and services, however, in the case of infrastructure-related measures this effect is due to the **increase in productivity**, and in the case of basic intervention it is related to the **increase in the number of employed persons**.

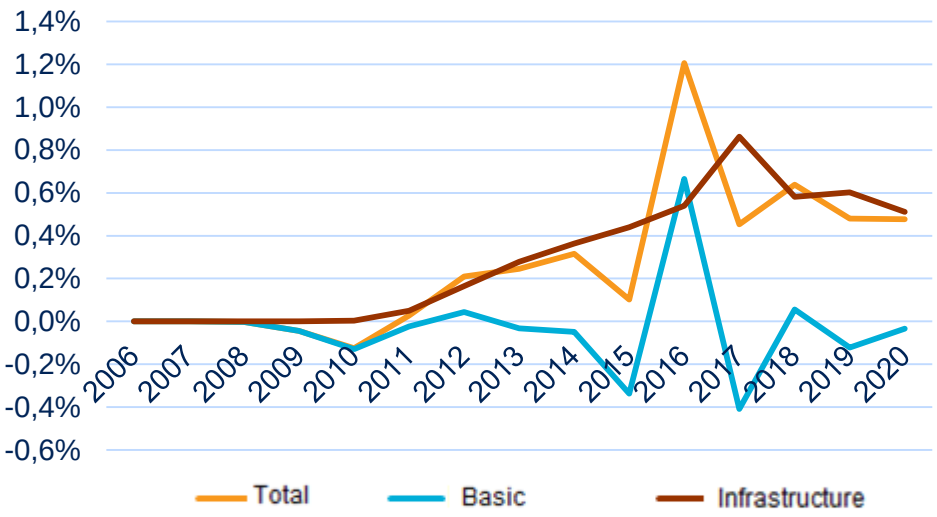
The impact of interventions on employment

Source: Simulations of the VESPA 2 model

The effects of interventions in macroeconomic terms

AREA: Competitiveness of enterprises

Impact on ROA



- The return on assets (ROA) indicator increased primarily **due to expenditure on infrastructure**.
- **Investments made under basic measures increase the capital of enterprises and make it less expensive**, which is why companies also get involved in less productive and profitable projects.

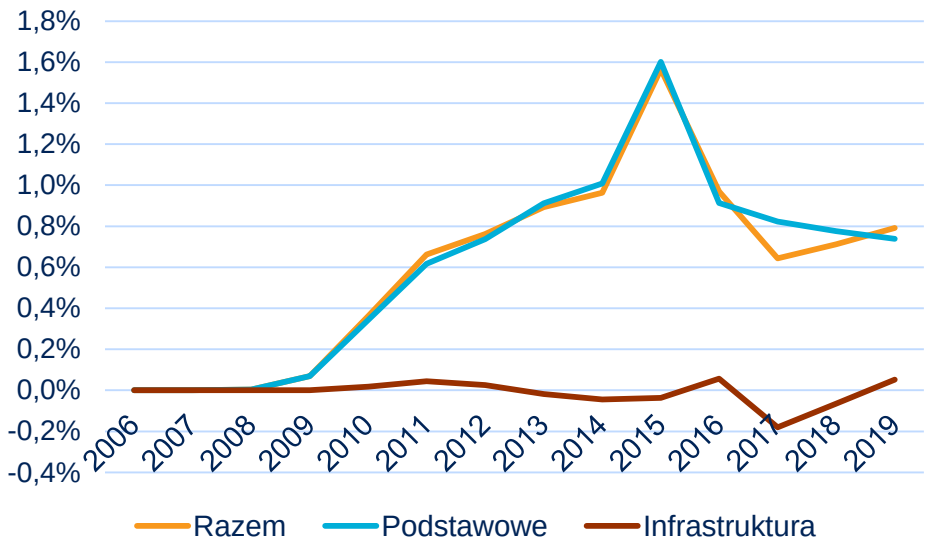
The impact of interventions on employment

Source: Simulations of the VESPA 2 model

The effects of interventions in macroeconomic terms

AREA: Labour market

Impact on employment



- As a result of the intervention, the employment rate **was higher by up to approximately 1.5%** compared to the baseline scenario (without intervention).
- The intervention in basic measures has an **almost instant** impact on the increase in employment. On the other hand, the impact of the intervention in infrastructure **occurs later** (after 2020) and results from the increase in capital due to the intervention. At the time of implementation, this impact is marginal.

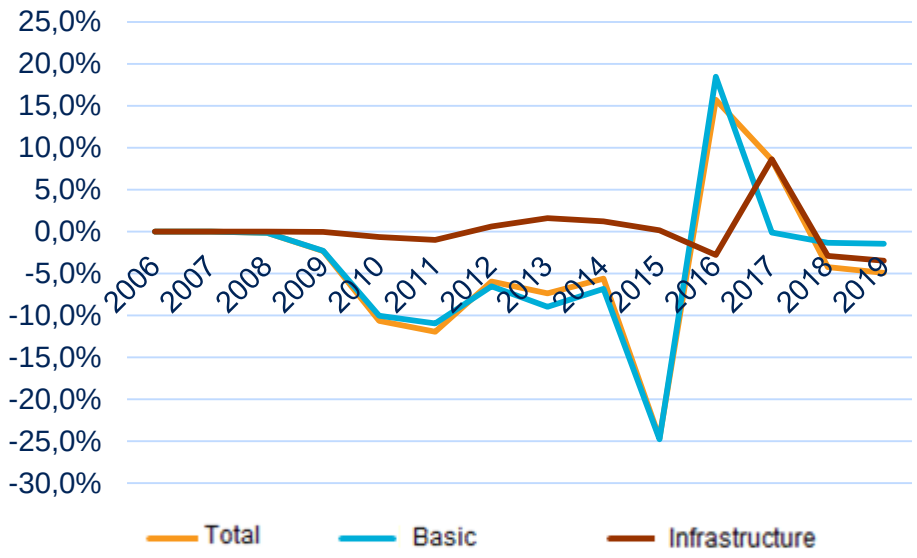
The impact of interventions on employment

Source: Simulations of the VESPA 2 model

The effects of intervention in macroeconomic terms

AREA: Labour market

Impact on unemployment



Source: Simulations of the VESPA 2 model

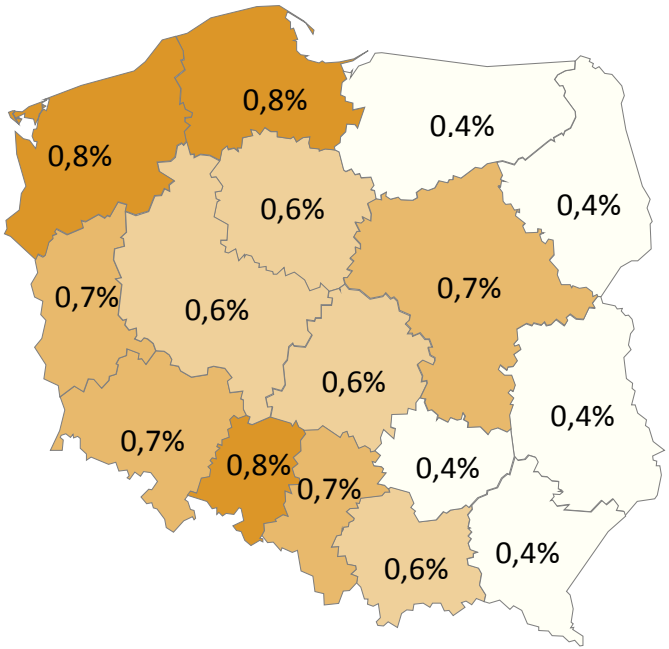
- **The impact on unemployment was higher than in the case of employment** – the intervention has resulted in a decrease in the level of unemployment on average by 10%, compared to a hypothetical situation where support wouldn't be provided.
- This is due to the fact that unemployment is a significantly smaller aggregate than employment.
- **Furthermore, the intervention has a significant impact on the supply of labour**, thereby the effect on both the employment and unemployment may be positive (e.g. in 2016-2017). The positive impact stems from the increase in the supply of labour, for which, after a theoretical discontinuation of intervention, there is no demand.

The effects of intervention in macroeconomic terms

AREA: Labour market

Impact on employment by voivodeships

(gross, total in %, 2007-2016 average)



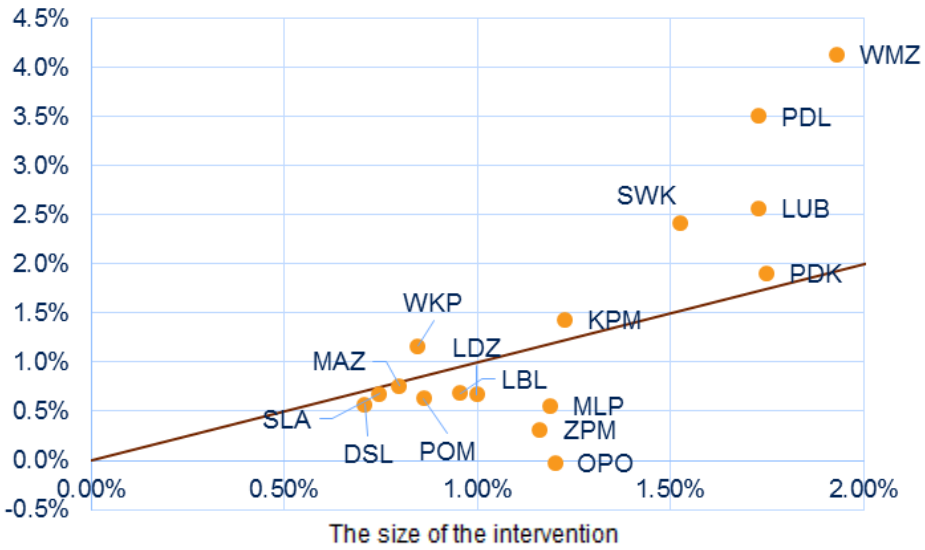
- The impact of intervention on unemployment **turned out to be even throughout the country** – the eastern part of Poland does not stand out on the map of impact.
- This is due to the fact that raw materials used in production are **sourced across the whole country**.
- Moreover, the intervention in Eastern Poland **was targeted at infrastructure**, which boosts productivity to a larger degree than employment.

Source: Simulations of the VESPA 2 model

The effects of intervention in macroeconomic terms

Impact on GDP by regions

The size of intervention in specific regions vs. impact on GDP (on average, 2007-2016)



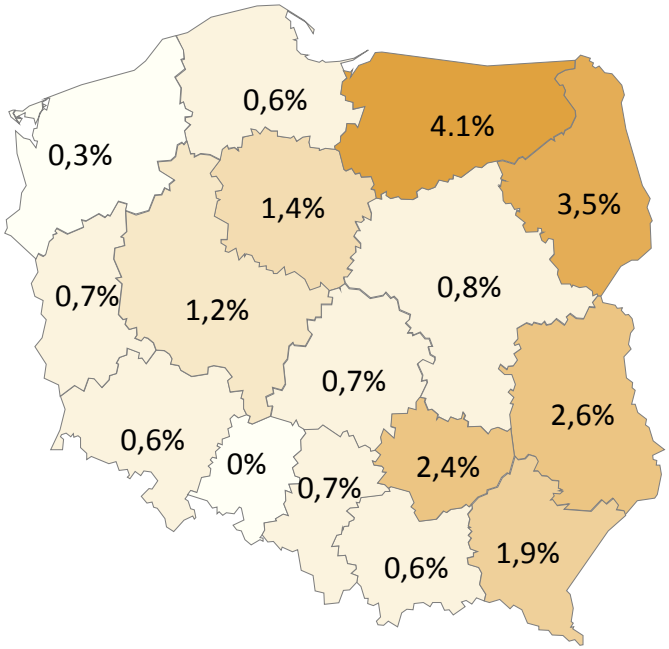
Source: Simulations of the VESPA 2 model

- In the case of the majority of voivodeships, **the impact of intervention is similar to the value of expenditure which has been incurred for this intervention**.
- When it comes to the "effectiveness" of intervention, **strongly supported Eastern Poland's voivodeships**, in particular the Warmińsko-Mazurskie and Podlaskie voivodeships, clearly stand out.
- On the other hand, in voivodeships, such as the **Opolskie or Zachodniopomorskie voivodeships**, the impact on GDP turned out to be relatively small.

The effects of intervention in macroeconomic terms

Impact on GDP by voivodeships

(gross, total in %, 2007-2016 average)



- In Eastern Poland's voivodeships, the intervention **had the largest impact on GDP**, increasing it on average by 2% compared to a scenario without the intervention.
- Outside this area, the impact of support on the GDP exceeded 1% only **in the case of the Kujawsko-pomorskie and Wielkopolskie** voivodeships.

Source: Simulations of the VESPA 2 model

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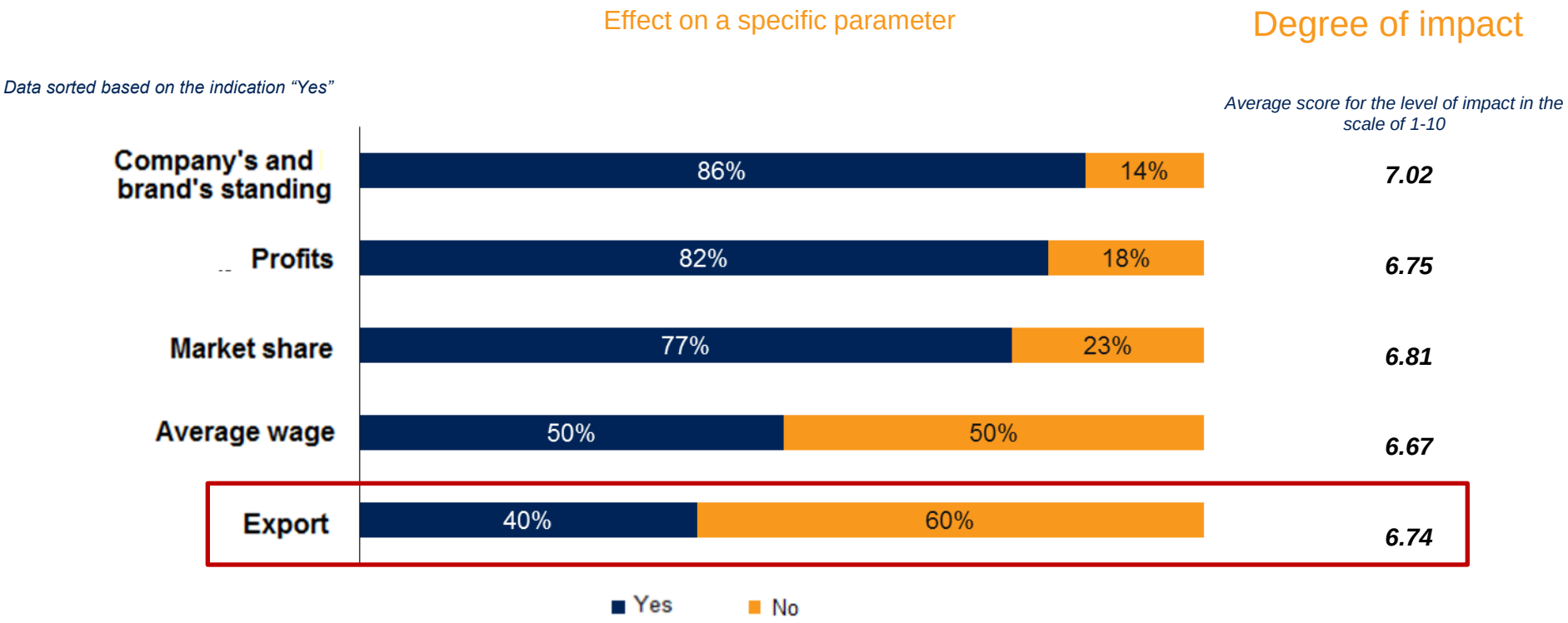
Evaluation of the effects of support on individual company parameters

In the group of beneficiaries, the intervention had the least marked effect on the condition of the enterprise. It had the least impact on the average wage and export (where export measures primarily concern the largest companies).



Basis: N=888

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Conclusions from the Case Study analysis

- From the level of individual experiences of companies – **the implementation of the project has had a significant impact on the company's development**.
- The projects allowed to provide additional funding for investments, and **at times to reach for more risky solutions** than in the case the beneficiaries would have applied relying on own financing.
- The problems are not solved "once and for all"; if one wishes to efficiently run a company, it is necessary to continuously develop it and invest – thus, **the projects only provide support for the immediate needs**.
- **All researched companies seek opportunities for the implementation of further projects**, however, the current offer does not always fit into their needs or they do not fulfill the entry conditions.
- **The funding acquired has contributed to the local development of companies**; and to a smaller extent on a national or international scale.
- **Support for the development of export and expansion into foreign markets was too limited.**
- **Project implementation and handling require much effort on the companies' part** – but the general comparison of investments to results is positive and beneficial.
- **The measures undertaken as part of the project would have been implemented at own expense**, but this would take longer and be carried out on a smaller scale.

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Conclusion

- The impact of the 2007-2013 Cohesion Policy on the competitiveness of enterprises and entrepreneurship may be present through measures that are directly addressed to entrepreneurs and also through measures that can have an indirect influence on the improvement of their situation.
- In macroeconomic terms, **measures implemented as part of the intervention had a positive impact** both on **the socio-economic situation of regions** (with regard to GDP) and **on the labour market**.
- **The direct intervention** had an effect primarily on **the increase in investments in the private sector** and on **the increase in employment**.
- **The intervention in the area of infrastructure also had a positive effect**. Primarily on public investment outlays and labour productivity.
- From the microeconomic perspective, **beneficiaries** have a positive opinion about the **effects of intervention**, in particular **those who received direct support for investments**. This was also their most frequent motivation to apply for support under the Cohesion Policy.
- **Their opinions about the effects in the area of export are slightly worse**. This area did not bring the results as expected at the programming stage.

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Thank you!

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