

# 8<sup>th</sup>

Evaluation  
Conference  
in Prague

## What works in catching-up regions (also during the covid-19 era)?

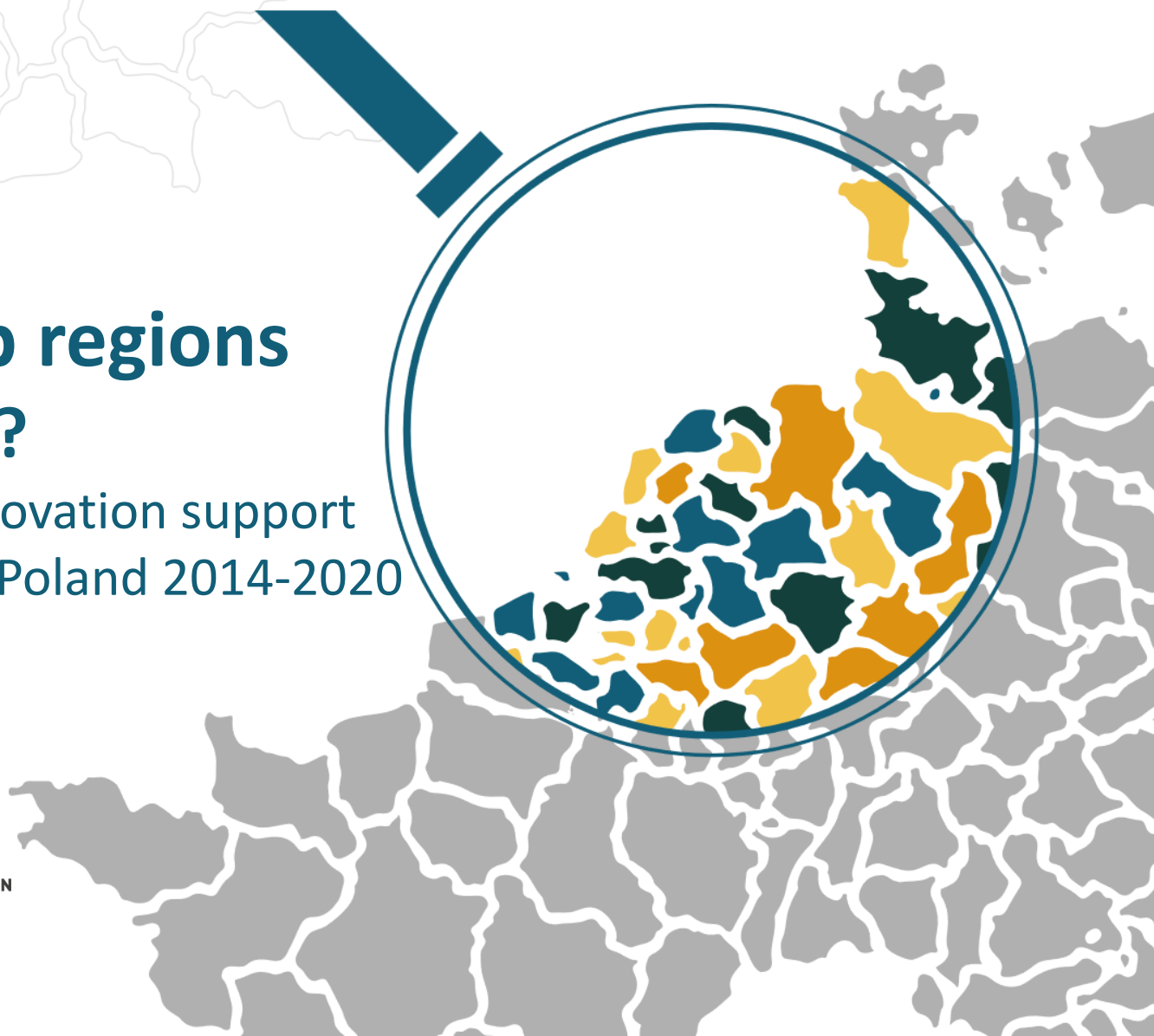
The impact of export promotion and innovation support  
under the Operational Program Eastern Poland 2014-2020

Jacek Pokorski

November 3rd, 2022, Prague



MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ

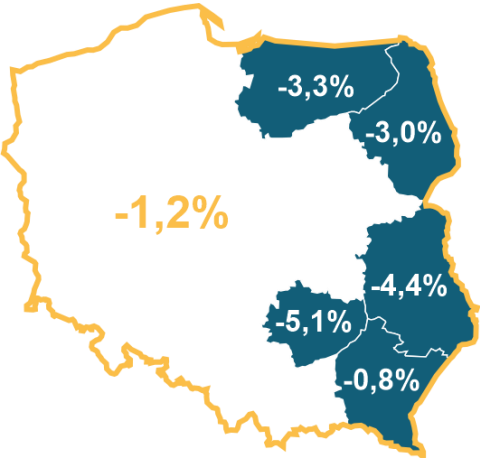


A faint, light gray outline map of Europe serves as the background for the slide. The map shows the major landmasses of Europe, North Africa, and Western Asia, with internal borders and coastlines indicated by thin lines.

# Eastern Poland and its development challenges and spatial characteristics

# Eastern Poland as an ASI macroregion

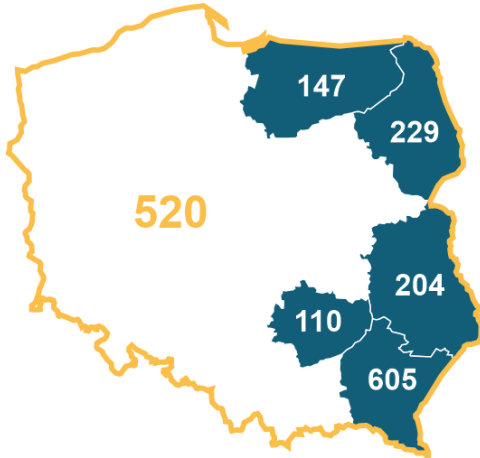
Depopulation 2011-2021



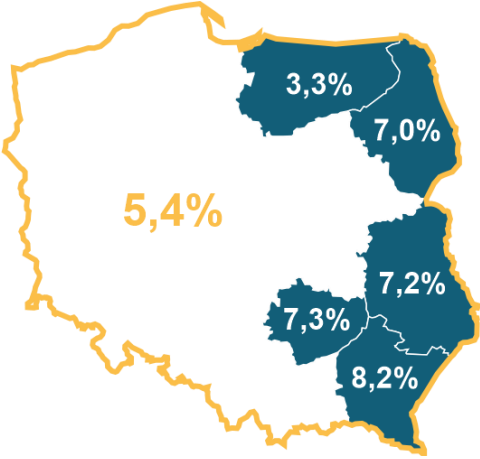
Company per 10 thous. persons; 2021



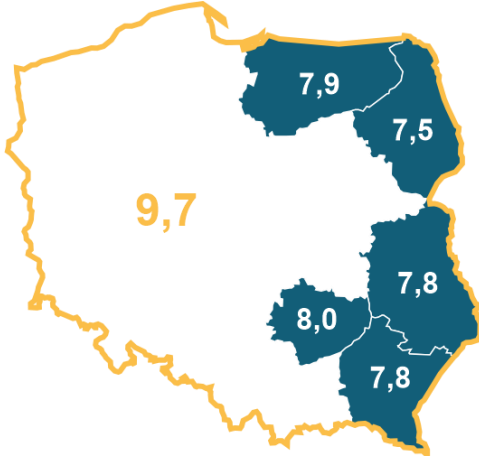
Innovation expenditure in companies per 1 economically active person [euro]; 2020



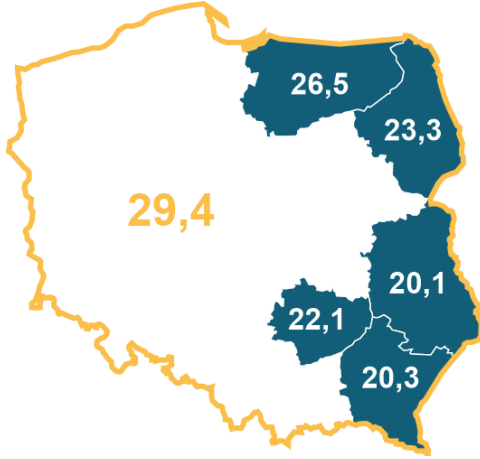
Registered unemployment rate; 2021



New company per 10 thous. persons; 2021



Gross value added per 1 employed [thous. euro]; 2020



# What we are doing for cohesion of Macroregion?



Fundusze  
Europejskie  
Polska Wschodnia



Rzeczpospolita  
Polska

Unia Europejska  
Europejski Fundusz  
Rozwoju Regionalnego



## Eastern Poland OP, 2014-2020 (POPW)

- » A series of tailored-made **measures aimed at the development of entrepreneurship and SMEs** (platforms for incubation and development of start-ups; export promotion, design and product innovations investments schemes) as well as **support related to the development of infrastructure** (*inter alia* intermodal transport solutions in cities, new crossregional road and railroads connection projects)

Budget of Eastern Poland OP  
(ERDF + PL co-financing, in mln EUR)

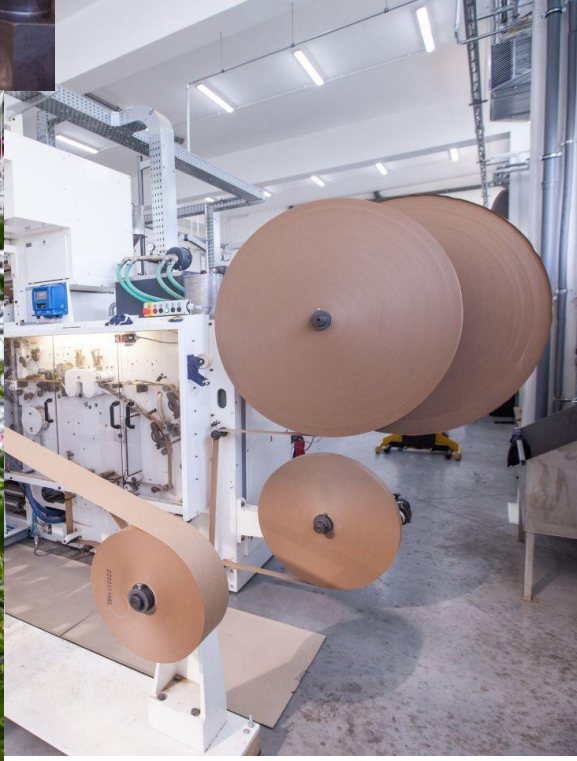
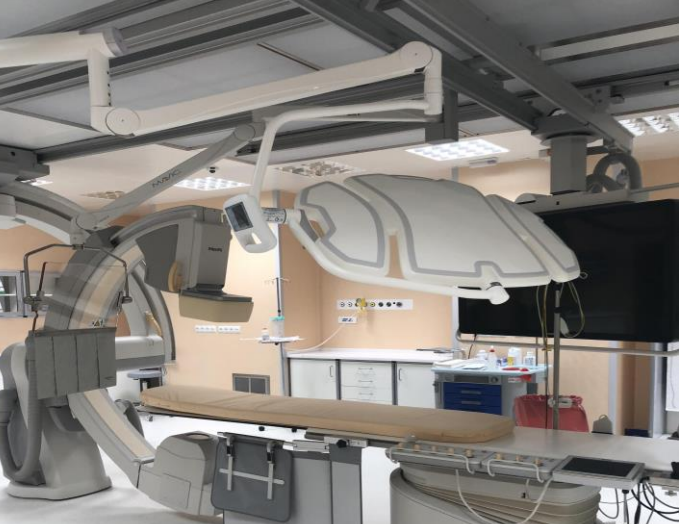
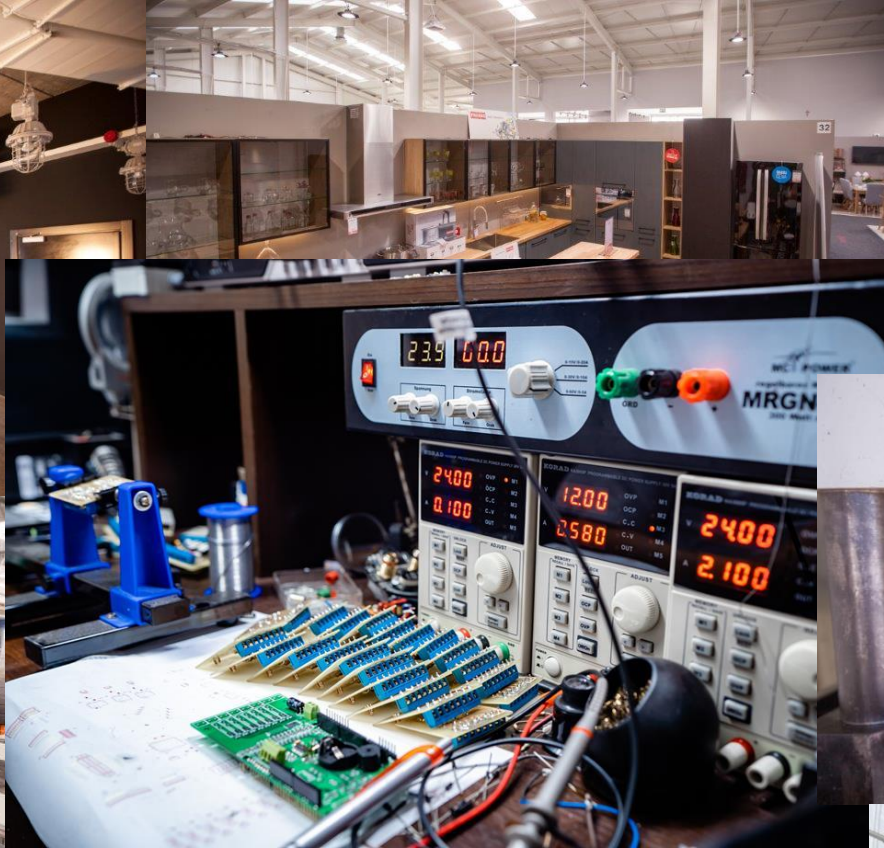
Entrepreneurship axis	846
Road infrastructure axis	1078
Railway infrastructure axis	389
TA	40
<b>Total</b>	<b>2353</b>

# Long-term, intense, consistent and concentrated regional aid for Eastern Poland

Even more than two perspectives of EU Cohesion Policy investments:

- » **Current programme** (as above) and **previous** - Eastern Poland Development OP, 2007-2013,
- » **5 Regional OPs** 2007-2020 on the same area (with ERDF & EFS components)
- » **National OPs** also including the same areas (investment with ERDF in R&D&innovation, environment&infrastructure as well as in labour market, education and social incl. under EFS's OP, and - last but not least - Interregs)
- » Regional Aid Map (Eastern PL is eligible for **the highest intensity of investment aid** - 50% and it was even more before 2014 – under ERDF financing and domestic funds, e.g. in Special Economic Zones).







## What are the effects so far? - *asked the European Commission*

...Is there any evidence that the continuation of subsidies for entrepreneurs (especially on innovation) is justified? Are there any reasons to replace grants on repayable forms of support (financial instruments)? In which target group are the subsidies inefficient? (e.g. they can lead to deadweight effects and opportunism)?

## Evaluation aims and challenges (AD 2021)

- » **providing answers** (on Qs mentioned above) **during the pre-negotiation process** for the new Programme, 2021-2027 (quick response & reliable piece of evidence was needed),
- » context of the **covid-19 impact** (disturbances) on target area and target groups after 2019
- » **unavailability of relevant data** set in public stats (data from annual companies reports of 2020 are going to be available in 2022)

## What we have done?

Focusing on „easy accessible” data sets and relevant elaborations  
(no primary data was used!)

- Financial reports that have been prepared annually for Polish National Court Register (KRS) by stock companies, limited liability companies and other non-person business entities). Although they were available on public, it wasn't in an „analytic format” (smart web scraping and huge amount of data processing work have been put into it...). Final database was full of data (characteristics and microeconomic indicators) for most of POPW applicants (beneficiaries and non-beneficiaries) arranged in a long-time series including 2020.
  - » **Counterfactual impacts analysis** (quasi-experimental scheme with PSM & DiD) focused on the short-term effects of the support (incentive effects, additionally)
- Data from the applications and annual financial reports of applicants
  - » **Case studies of beneficiaries** (e.g. bank's validation methods for credit capacity assessment of companies that providing the answer what would have happened if the companies get loans instead of grants, taking in to account their readiness of performing the projects' business plan and crisis resistance).
- Available elaborations and CIE studies from EU Member States focused on the similar support programmes (in catching-up regions)
  - » **Literature study and analysis of key reports conclusions** (lessons learnt and recommendations for such areas of the support)



A faint, light gray outline map of Europe and Africa is visible in the background, spanning the top and bottom of the slide. The top half of the map is above a dark blue horizontal band, and the bottom half is below it.

# What have we learnt from this study?

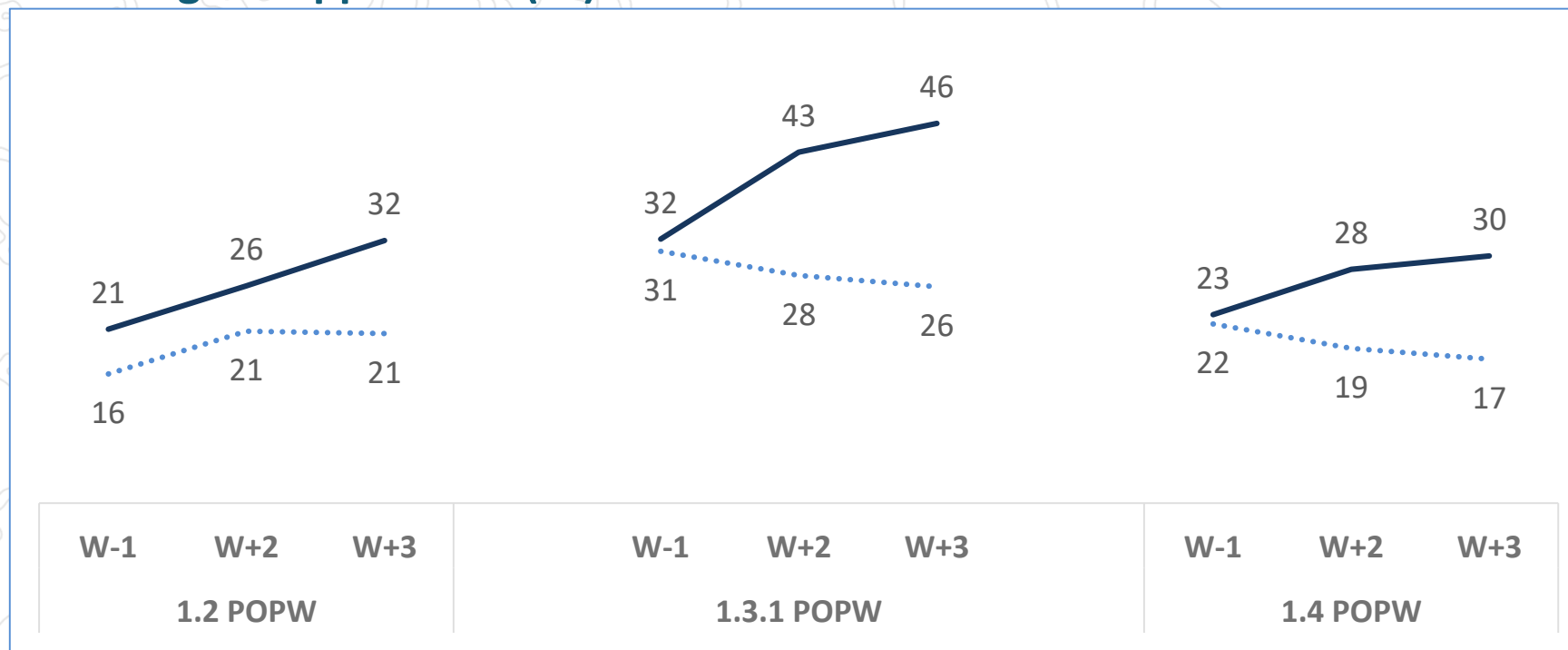
- **Most of the projects could not be done without the support.** There is an observable, significant incentive effect of the aid (net effects in most indicators, DiD). In the same time non-beneficiaries (matched by PSM) stay in lower levels of development in key microeconomics indicators. The support make a difference, especially in pro-innovative schemes (investments in new products and designs)

**Average impact of support for the analysed POPW instruments in the third year after submitting the application for co-financing (DiD, in PLN thousands)**

Indicator	1.2 POPW (export promotion)	1.3.1 POPW (product innovation investments)	1.4 POPW (product & business model designs development)
Net revenues from sales	5848	18367	11410
Profit from sales	486	505	1046
Fixed assets	2369	8920	6025
Balance sheet total	6437	13618	9556
Consumption of materials and energy	118	4161	3418
Remuneration, social security and other benefits <sup>b</sup>	-81	1800	946

Source: Counterfactual analysis of the impact of the Eastern Poland OP 2014-2020, PARP & IDEA Institute, Warsaw 2021.

## Changes in the value of net revenues (PLN million) in the 2nd and 3rd years after submitting the application (W)




Source: Counterfactual analysis of the impact of the Eastern Poland OP 2014-2020, PARP & IDEA Institute, Warsaw 2021.

- Some of the supported enterprises could achieve the objectives of the business projects without subsidies, but the potential deadweight effects seems to be highly diverse, taking mainly into account the size and, to some extent, the sector of the enterprise.



- **The credit capacity of microenterprises is weaker** than that of other groups of SMEs. Although some of them could carry out the assumptions of their business project by repayable funds (most of them are unlikely to do it), in the face of the market crisis, they could find themselves in a terrible situation (no chance for an additional working capital loan) and at risk of bankruptcy *[Source: credit capacity analyses of beneficiaries business projects and finance reports]*
- **The repayable scheme** of support for enterprises (especially on products development, innovations with high technological and business risk and long-term ROI) could be effective, but it **not works optimal in catching-up regions** *[Source: foreign CIE reports e.g. Béres, A., & Závecz, G. (2016). Comparative counterfactual impact evaluation of financial instruments and grants to SMEs in Hungary].*
- The evaluation study has confirmed the programme's **causal effects in the year of the COVID-19** (2020) pandemic, in products innovation investments schemes and in measures related to designing product and business model development. Similar results for beneficiaries of the export-oriented instrument have not been confirmed. *[Source: CIE based on PARP and eKRS data]*

A faint, light gray world map is visible in the background, showing the outlines of continents. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right.

What should be done in the future  
for sustainable and effective development  
of catching-up regions such as Eastern PL?

- **Support should be continued** (without support, the Macroregion's cohesion will be reduced in many areas of socio-economic development).
- **Repayable instruments are not optimal form of support in lagging regions** (the new programme should better take into account the diversity of the target group in various areas of support through a more sophisticated grant offer, e.g. mixed forms of repayable and non-repayable support, conditional subsidies).
- **Focusing on the harmonisation of different forms of support in the same area** (elimination of „cannibalisation” or competition of programmes)
- **Improving** (making it as excellent as possible) **placed-based policy**, that triggers **the inflow and accumulation of the capital in the Macroregion** (for innovation, infrastructure, education...), and **counteracting the outflow of resources** (e.g. exodus of young entrepreneurial people, investment purchases outside the region).
- **Optimal use of the endogenous values of the region** (*'Green Lungs of Poland'*) and consistent implementation of solutions favoring a **sustainable economy** (circular, digital & more inclusive).



# Thank you for your attention!

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[www.parp.gov.pl](http://www.parp.gov.pl)

Some methodological experience and policy findings used in the presentation have been published in:

Chłoń-Domińczak A., Pokorski J. (eds.). (2022). *Public intelligence. The Use of Administrative Data for Monitoring and Evaluation of Public Policies*. Warsaw: Polish Agency for Enterprise Development.

The book will be available in English soon, on this website:

<https://www.parp.gov.pl/publications/publication/public-intelligence-eng>

