

*Janusz Kornecki\**

## **EU STRUCTURAL FUNDS AND SUPPORT OF SME SECTOR IN THE ŁÓDŹ REGION**

**Abstract:** The article discusses selected measures that offered financial support to small and medium-sized enterprises within the framework of the Structural Funds in the previous programming period covering the years 2004-2006. It focuses on the analysis of the use of those measures by companies of the SME sector in the Łódź region, the assessment of the assistance in preparation of the applications received from external parties and perceived problems to complete a project documentation. It is based on the results of an evaluation study commissioned by the Marshall's Office of the Łódź Province and carried out between August and October 2008 by PSDB, in which the Author participated (PSDB [2008]). The study encompassed, among other techniques, desk research of available documents and Computer Aided Telephone Interviews (CATI) with beneficiaries located in the Łódź region.

An analysis of the distribution of the Structural Funds among small and medium-sized enterprises in the Łódź region does not bring an unambiguous and clear picture of their attitude and the quality of the business support organisations which facilitated access to these funds through assistance provided to the applicants. SMEs located in the Łódź region were overrepresented in the population of successful applicants in the case of projects focused on investments (particularly financed under Measure 2.3 of the SOP ICE), whereas they were much less interested in the acquisition of funds for advisory services (SOP ICE Measure 2.1). In the latter case, they were heavily underrepresented in the population with a low 4.29% against 6.69% reflecting the potential of the Łódź region. Typically, the Łódź region ranked in the middle of the lists classifying Polish regions with respect to the number of successful applications.

Ex-post evaluations of the results of the Structural Funds typically showed a very high positive impact on the firm's development and the firm's competitiveness. This influence was mainly relevant for the local market, where most SMEs, especially micro-enterprises, ran their operations.

The most popular sources of information about the programmes analysed in the study included the website of the Implementing Authority (41%), other websites (30%), press/radio/television (28%), Consultation Centres providing free advice to entrepreneurs (16%), acquaintances (14%), commercial advisory firms (14%). However, some statistically significant variations could be observed depending on the type of the programme and the size of the firm. An assessment of particular sources of information revealed that as most useful were perceived commercial advisory firms, Consultation Centres providing free advice to entrepreneurs and websites of the Implementing Authority.

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\* Ph.D., University of Lodz.

The documentation for a slightly more than a half of the total number of projects (51%) was prepared by the beneficiaries themselves, while the remaining 49% used the assistance from external firms. Assistance from external firms was used more frequently from the statistical point of view by small enterprises (65% as opposed to 42% and 41% for micro and medium-sized firms respectively).

The most often declared difficulties at the stage of preparing the application documentation included filling in of the application form by means of the application generator (38%), documentation completion according to the requirements set in the competition (34%), understanding of the guidelines how to fill in the application form and annexes (26%), and collection of required annexes (26%).

Factors that in the opinion of the respondents determined to the highest extent the preparation of a complete and correct application documentation included an appointment of a person in charge for the realisation of this task (42%), frequent contacts with the Implementing Authority (38%), capital endowment (35%), the use of paid advisory services (31%), and experience in the realisation of other EU-funded projects (21%).

**Key words:** EU funds, SME sector, Lodz region.

## 1. INTRODUCTION

One of the strategic goals specified for the Polish economy on the eve of its accession to the European Union was an increase in the competitiveness of the economy. Competitiveness of the economy was understood as a long-term ability of an open market economy to withstand international competition as well as effectively adapt to the changing external environment and to achieve fast sustainable economic growth leading to a reduction in the economic, social and technological distance to more developed economies. SWOT analysis regarding the competitiveness of Poland's economy allowed for indicating its major strengths, weaknesses, threats as well as opportunities in the context of Poland's joining the Single European Market. On the basis of the identified features of Poland's economy, a strategy for the realisation of set objectives and priorities with the use of the Structural Funds was established (Ministry of Economy, Labour and Social Policy [2004], p. 6). The achievement of those objectives necessitated massive support given to various entities and financing different activities. Small and medium-sized enterprises were at the heart of the envisaged support.

The article discusses selected measures that offered financial support to small and medium-sized enterprises within the framework of the Structural Funds in the previous programming period covering the years 2004-2006. It focuses on the analysis of the use of those measures by companies of the SME sector in the Łódź region, the assessment of the assistance in preparation of the applications received from external parties and perceived problems to complete a project documentation. It is based on the results of an evaluation study commissioned by the Marshall's Office of the Łódź Province and carried out between August and October 2008 by PSDB, in which the Author participated

(PSDB [2008]). The study encompassed, among other techniques, desk research of available documents and Computer Aided Telephone Interviews (CATI) with beneficiaries located in the Łódź region.

## **2. THE USE OF SELECTED MEASURES BY SMALL AND MEDIUM-SIZED ENTERPRISES IN THE ŁÓDŹ REGION**

The following measures were made available to small and medium-sized companies and were specifically addressed to this sector:

- Sectoral Operational Programme Improvement of the Competitiveness of Enterprises (SOP ICE) – Measure 2.1 *Improvement of competitiveness of SMEs through advice*;
- Sectoral Operational Programme Improvement of the Competitiveness of Enterprises – Sub-measure 2.2.1 *Support to entrepreneurs making initial investments*;
- Sectoral Operational Programme Improvement of the Competitiveness of Enterprises – Measure 2.3 *Improvement of competitiveness of SMEs through investments*;
- Integrated Regional Operational Programme (IROP) – Measure 3.4 Microenterprises.

### **2.1. Sectoral operational programme improvement of the competitiveness of enterprises – 2.1 Improvement of competitiveness of SMEs through advice**

The objective of this measure was to increase the competitiveness of Polish SMEs through facilitating their access to specialised advisory assistance. The envisaged results included growth in the number of enterprises using specialised advisory services, growth of the percentage of enterprises possessing quality certificates, growth of the share of the SMEs sector in total exports, growth of the number of newly established advanced technology based firms, growth in the index of innovative firms and growth of employment in firms using advisory services.

The role of the Implementing Institution was played by the Polish Agency for Enterprise Development, in co-operation with Regional Financing Institutions. The ultimate recipients of support were SMEs operating in Poland excluding micro-enterprises other than those operating in the market for over three years as well as small and medium-sized advanced technology based start-ups.

Maximum state aid intensity amounted to 50% of total eligible project expenditure for all projects excluding advisory projects for advanced technology

start-ups, where it could reach 100% of total eligible project expenditure under the *de minimis* rule. In both cases, support could be granted in the amount of at least PLN 2 500 and not more than PLN 250 000.

For the implementation of this measure EUR 18.24 million was allocated, of which EUR 12.77 million was contributed by the ERDF and EUR 5.47 million by the national budget. The ultimate demand exceeded the budget by 1.5 times (WYG International & PSDB [2007], p. 8).

The application procedure started at the end of September 2004 (with the first deadline in mid-December 2004). In 2005, application procedures were carried out 5 times and in 2006 – 7 times. The last call for applications ended on 15 September, 2006.

In total ca. 5 000 project applications were submitted, of which 2 732 projects actually received financing, which means a success rate of 54% (WYG International & PSDB [2007], p. 12). According to a survey carried out by the Polish Agency for Enterprise Development based on a sample of enterprises that ended project implementation more than 18 months prior to the survey, the vast majority of the surveyed beneficiaries assessed advisory assistance as essential with respect to increasing the firm's competitiveness (74%) and general development (80%). Growth in the firm's competitive advantage was particularly relevant for the local market, while it turned out to be of lesser importance for the regional market and of least importance for the domestic market. In addition, in the years 2005-2007 some positive changes were observed, including:

- average growth in employment by 15% (by 6.9 employees nominally),
- growth in investment expenditure by 42%,
- growth in annual net turnover by 15%,
- growth in net exports by 33%,
- growth in imports by 32%.

The key aspects of business operations most affected by subsidy included an increase in quality and effectiveness of management (mentioned by 81% of surveyed persons) and improvement of personnel qualifications (55%). Among firms that received funding under measure 2.1, an increased propensity to undertake investment activities was observed, which included, in particular, the development of new products/services, the acquisition of certificates/conformity marks (17% of firms each), the use of specialised advisory services and investments in real estate (16% of firms each) (PSDB [2008]). Another evaluation study concerning SOP ICE confirms a high or very high assessment of the impact of the projects realised under Measure 2.1 on the organisation of enterprises and their management methods (PAG Uniconsult [2008], p. 46).

### 2.1.1. Implementation of the sop ice Measure 2.1 in the Łódź region

In the Łódź region, 184 project applications were submitted for financing under Measure 2.1. Subsidies were awarded to 105 projects, but 10 firms resigned from project implementation before subsidy contracts were signed, and in the case of 17 enterprises the contracts were cancelled. In the end, 78 projects were completed (Table 1). The success rate measured as a percentage of signed subsidy contracts to submitted applications was higher for the Łódź region than for whole Poland (51.6% against 44.3% respectively).

Table 1. The composition of applications under SOP ICE Measure 2.1

	Number of submitted applications	Number of awarded subsidies	Number of signed subsidy contracts	Success rate*	Number of settled contracts
Łódź region	184	105	95	51.6%	76 (2 projects have not received final payments by the time of the study)
Poland	5 000	2 700	2 214	44.3%	no data

\* Measured as a percentage of signed subsidy contracts to submitted applications.

Source: PSDB: *Ocena efektów wspierania środkami pomocowymi Unii Europejskiej małej i średniej przedsiębiorczości w województwie łódzkim w kontekście realizacji RPO WL*, (preliminary, unpublished version), Warsaw 2008, p. 29.

According to a study concerning the absorption of funds by SMEs under SOP ICE published in February 2007, the highest number of projects was realised by entrepreneurs from the Mazowieckie region (ca. 500 projects), while the lowest number in the Opolskie region. The Łódź region was ranked in the middle of the list. In 7 other regions the number of realised projects was lower than it was in the Łódź region. It is worth mentioning that the effectiveness in all regions was around 50% (however, somewhat lower in those regions where the number of submitted applications was higher) (WYG International & PSDB [2007], p. 73).

When making a comparison of the Łódź region against the country as a whole, it becomes evident that although the effectiveness of firms located in the Łódź region was somewhat higher, the frequency with which they applied for these funds was relatively lower. Entrepreneurs based in the Łódź region put forward a low 4.29% of all projects, which does not correspond to the potential of the region<sup>1</sup>.

<sup>1</sup> 242 000 private sector enterprises operating in the Łódź region in 2005 constituted 6.96% of all firms operating in the whole country.

As of 1 September 2008, beneficiaries of the SOP ICE Measure 2.1 in the Łódź region were paid PLN 2 225 354 in total (two payments amounting to PLN 194 500 were still due). Amongst these beneficiaries, two entrepreneurs applied for a maximum grant in the amount of PLN 250 000. Two other firms applied for support of over PLN 240 000. In total, 9 enterprises applied for subsidies exceeding PLN 200 000. No enterprise applied for the minimum amount of support. The lowest amount of subsidy was requested by two enterprises to finance projects with the sum of PLN 4 750.

The average values of actual subsidies were somewhat different from the requested amounts. Only one project received a grant in the maximum amount of PLN 250 000. Another project used more than PLN 200 000 of co-financing from the programme, whereas three other received more than PLN 100 000 in the form of subsidy. One third of the total number of projects were realised with grants of the value below PLN 10 000.

Among the beneficiaries of SOP ICE Measure 2.1 in the Łódź region, most firms were small (50% of all beneficiaries), while micro-enterprises constituted the smallest group (12.82%). Medium-sized enterprises amounted to 37.18% of the beneficiaries.

## **2.2. Sectoral operational programme improvement of the competitiveness of enterprises – sub-measure**

### **2.2.1 Support to entrepreneurs making initial investments**

This measure was aimed at the improvement of products and technologies offered by enterprises through supporting initial investments related to the establishment or expansion of an enterprise or activities leading to substantial changes in production, manufacturing process, product or service change, and new jobs creation connected with initial investments. Special attention was paid to the development of the SME sector, to which three quarters of the Community and national funding under this sub-measure were directed.

It was envisaged that the implementation of this sub-measure will bring about growth in the number of new jobs and in the enterprise sector investment level, increase in the percentage of new and modernised products in the sold production of industrial products, improvement of products and technologies offered by enterprises, increase in the number of innovative enterprises, improved compliance with the environmental protection requirements, growth in investment expenditure for innovative activity in enterprises, and increase in R&D expenditure in enterprises.

Until November 2006 this sub-measure was implemented by the Financial Instruments Department at the Ministry of Economy. During this period, EUR

370.07 million was allocated for the implementation of this sub-measure, of which EUR 253.47 million was contributed by the ERDF and EUR 116.6 million by the national budget.

The application procedure commenced in February 2004 and ended at the end of 2006. Throughout this period, 5 application procedures were carried out. In total, 819 applications were qualified for thematic assessment, of which 52 received financing.

Pursuant to the regulation of the Minister of Regional Development dated 15 November 2006, the Polish Agency for Enterprise Development was appointed the Implementing Institution for this sub-measure and large enterprises were excluded from the application procedure. The main reason for that was problems with the achievement of an adequate level of grant allocation adopted in the programme for SMEs.

The minimum investment grant was PLN 500 000 and it could cover up to 70% of eligible project expenditure for micro-enterprises and small firms and up to 60% for medium-sized enterprises, depending on the maximum aid intensity for a given region. As much as PLN 680 million was allocated and this sum was later increased to almost PLN 1 billion.

During the period when the PAED performed the role of the Implementing Institution only one call for proposals was announced in November 2006 and it terminated on 31 January 2007. As a result, 2 581 applications were submitted, of which 292 projects were co-financed with a total of almost PLN 1 billion by 30 April 2008<sup>2</sup>.

### **2.2.1. Implementation of the SOP ICE Sub-measure 2.2.1 in the Łódź region**

Under sub-measure 2.2.1 of the SOP ICE, 19 investment projects were qualified for funding in the Łódź region and respective contracts were signed. However, 2 contracts were cancelled on request of the beneficiaries. Contracts were signed for the sum of PLN 63 272 744.76, and after the withdrawal of two beneficiaries the amount decreased to PLN 42 850 244.76, which constitutes 7.01% of the total value of projects financed under this sub-measure. The beneficiaries applied for subsidies of PLN 3.42 million on average.

Among the beneficiaries of the SOP ICE Sub-measure 2.2.1 implemented in the Łódź region by the PAED, most firms were small enterprises (63.16% of all the beneficiaries). Medium-sized enterprises and micro-enterprises were represented by 26.32% and 10.53% of the beneficiaries, respectively. Except for one trading firm, all the remaining firms were manufacturing companies.

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<sup>2</sup> Including also cancelled contracts.

### **2.3. Sectoral operational programme improvement of the competitiveness of enterprises – Measure 2.3 improvement of competitiveness of SMEs through investments**

This measure was aimed at the improvement of competitiveness of Polish SMEs through modernisation of the products and technologies they offer. The expected results included growth of investment expenditures in the SMEs sector, growth of enterprise innovation level and new jobs creation in enterprises.

The Implementing Institution for Measure 2.3 was the Polish Agency for Enterprise Development in cooperation with Regional Financing Institutions and involving the banking sector when appropriate. The ultimate recipients were SMEs, including micro-enterprises that had been operating for more than 3 years and including advanced technology based start-ups. The following types of projects were to be implemented under this measure: modernisation projects in SMEs, joint investment projects by enterprises, purchasing of R&D results and/or industrial property rights by enterprises, implementation and commercialisation of innovative technologies and products, application and use of e-economy technologies, application and use of IT for enterprise management processes, adaptation of technologies and products to EU Directives, especially the harmonised standards and legislation on occupational health and safety.

The amount of EUR 426.15 million was allocated for the realisation of measure 2.3, of which EUR 298.30 million was contributed by the ERDF and EUR 127.85 million by the national budget. The ultimate demand exceeded the budget by 5.7 times (WYG International & PSDB [2007], p. 8). Investment support ranged between PLN 10 000 and PLN 1 250 000. Investment support exceeding PLN 50 000 could be granted to ultimate recipients provided that they would cover at least 50% of the equivalent of support granted under this measure with a bank loan. Ultimate recipients who decided to finance their project by leasing (the value of eligible expenditure was not important) were exempted from the bank loan requirement.

Pursuant to the regional aid map in Poland<sup>3</sup>, maximum public aid intensity for enterprises operating in Warsaw and Poznań amounted to 30%, for enterprises operating in Wrocław, Cracow, and Gdańsk-Gdynia-Sopot – 40%, and for those operating elsewhere in Poland – 50% of total eligible investment expenditure.

The application procedure was started in September 2004. In 2005, three additional calls for proposals were announced (with the deadline of the fourth and last call for proposals on 29 December, 2005) and then the measure was suspended due to the complete disbursement of the budget available. In total ca.

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<sup>3</sup> The decision of the Association Council on the regional aid map in Poland and regulation of the Council of Ministers of 15 October 2002 on admissibility of regional aid for entrepreneurs.



21 600 project applications were submitted, of which more than 2 800 projects received funding. The average success rate across Poland was ca. 13%. The highest number of applicants and beneficiaries came from the Mazowieckie, Śląskie and Wielkopolskie regions.

An evaluation study concerning the impact of the SOP ICE on innovativeness of enterprises revealed that Measure 2.3 was considered to have an exceptionally high or a very high impact on the general development of the enterprise by 48% of surveyed beneficiaries. This concerned primarily such fields as quality of products/services and modernity of production methods/services (PAG Uniconsult [2008], p. 48).

According to the above-mentioned survey carried out by the Polish Agency for Enterprise Development based on a sample of enterprises that had completed their projects more than 18 months before the survey, the majority of the surveyed beneficiaries of Measure 2.3 reported a general impact of subsidies on the firm's development (98%) and on the increase of the firm's competitiveness (96%), as well as on the increase of its innovativeness (91%). In addition, throughout the years 2005-2007 some positive changes were observed in some key areas such as employment (an average growth by 12% and by 8.9 employees per firm), annual net turnover (growth by 24%), net exports (growth by 25%), and imports (growth by 15%). Among the key aspects of business operations most affected by subsidies were technological modernisation of the firm (reported by 90% of surveyed persons) and occupational health and safety (76%) (Polska Agencja Rozwoju Przedsiębiorczości [2007]).

### **2.3.1. Implementation of the SOP ICE Measure 2.3 in the Łódź region**

In the Łódź region, 1 044 project applications were submitted for financing under Measure 2.3 of the SOP ICE. As many as 282 contracts were signed (27% success rate versus 13.2% for Poland), of which 25 were cancelled<sup>4</sup>. Under SOP ICE Measure 2.3, entrepreneurs from the Łódź region were paid a total of PLN 110 347 890.80, which accounted for 13.41% of the total value of all payments across Poland. The average grant awarded to projects financed under Measure 2.3 of the SOP ICE in the Łódź region amounted to PLN 489 267.97 (Table 2).

As many as 35 applicants requested the maximum available amount (PLN 1 250 000), while 6 others applied for support exceeding PLN 1 200 000. The lowest requested subsidy was PLN 24 300. Subsidies below PLN 100 000 were requested by 42 beneficiaries. Among the projects which received financing,

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<sup>4</sup> According to data received from PAED, as of 1 September 2008.

31 were awarded the maximum support and 45 projects in total were granted subsidy in the amount not less than PLN 1 million. Subsidies below PLN 100 000 were awarded to 41 beneficiaries.

Table 2. The composition of applications under SOP ICE Measure 2.3

	Number of submitted applications	Number of awarded subsidies	Number of signed subsidy contracts	Success rate*	Number of settled contracts
Łódź region	1 044	282	282	27.0%	245
Poland	21 600	no data	2862 <sup>5</sup>	13.2%	no data

\* Measured as a percentage of signed subsidy contracts to submitted applications.

Source: PSDB: *Ocena efektów wspierania środkami pomocowymi Unii Europejskiej małej i średniej przedsiębiorczości w województwie łódzkim w kontekście realizacji RPO WL*, (preliminary, unpublished version), Warsaw 2008, p. 37.

Among 257 firms which signed subsidy contracts and did not cancel them, medium-sized enterprises accounted for 43.97% of all the beneficiaries, whereas small enterprises for 42.8%, and micro-enterprises for 13.23% of all the beneficiaries. The highest proportion of firms which got support belonged to the textile sector (almost 16% of all the beneficiaries of Measure 2.3 of the SOP ICE in the Łódź region), followed by manufacturers of rubber and plastic products (ca. 14% of the beneficiaries). More than 8% of the beneficiaries manufactured wearing apparel and articles of fur, and ca. 8% dealt in publishing or printing. More than 6% of the beneficiaries belonged to the following sectors: manufacture of furniture, construction, wholesale and retail trade and manufacture of fabricated metal products, except machinery and equipment.

#### **2.4. Integrated regional operational programme (IROP) – Measure 3.4 Microenterprises**

The objective of this measure was to enhance the competitiveness of micro-enterprises by making specialist consultancy easier to access and by increasing their investment capabilities at the initial stages of their activity. Ultimate beneficiaries were micro-enterprises which began economic activity not earlier than three calendar years before the application date for support and in the last two financial years had (1) employed on average less than 10 employees per year, and (2a) had an annual turnover not exceeding the PLN equivalent of EUR

<sup>5</sup> Including cancelled contracts.

2 million, or (2b) the value of assets of the enterprise at the end of one of these years did not exceed the equivalent in PLN of EUR 2 million.

The measure covered two types of projects: (1) specialised consultancy services for micro-enterprises<sup>6</sup> and (2) investment grants for micro-enterprises. Type I projects were supposed to be related to preparing a strategy for product allocation on a new market; launching a new product onto the market; attracting new customers; rationalising financial inflow, goods, materials and information within the enterprise; computerising, rationalisation of the sales logistics of goods and services; improving internal management within the company, etc. However, specialist consultancy services did not include permanent consultancy, consultancy for day-to-day operations such as tax, legal or marketing advice. Type II projects were aimed at co-financing investments associated with the establishment, enlargement or purchase of an enterprise; increasing the business activity of an enterprise; initiating activities aimed at basic changes to the production or production process within the enterprise; changes in the product or service, including changes of services provided; modernisation of the equipment necessary for the enterprise's activity; and modernisation of the means of production. In the case of projects with the value exceeding the PLN equivalent of EUR 10 000, entrepreneurs were obliged to raise a loan of at least 50% of total eligible costs. However, entrepreneurs who used leasing to finance their projects were exempted from this obligation.

Typically, for consultancy projects the project co-financing level was up to 65% of eligible project expenditure and in the amount not exceeding PLN 20 000. For investment projects, the co-financing rate could not exceed 45% for projects located in the sub-regions of Warsaw and Poznań, 55% for projects located in the sub-regions of Wrocław, Cracow and Gdańsk-Gdynia-Sopot and 65% in all the other sub-regions. The amount of co-financing could be up to PLN 200 000.

For the implementation of this measure, EUR 75 328 559 was allocated, of which EUR 56 494 658 was contributed by the ERDF and EUR 18 833 901 by the national budget.

The application procedure was started in the Łódź region in 2005, with the first deadline in February 2005. In 2005, application procedures were carried out only twice, likewise in 2006. According to the implementation report as of 31 December 2007, 2 722 subsidy contracts in the total amount of ERDF contribution of PLN 191 565 222.16 were signed, with 10 contracts still pending (Ministry of Regional Development [2008], p. 4).

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<sup>6</sup> Eligible service providers included only organisations accredited for this type of services within the National System of Services for SMEs (so called KSU) and under Measure 2.1 *Improvement of competitiveness of SMEs through advice* under the Sectoral Operational Programme Improvement of the Competitiveness of Enterprises.

An evaluation study concerning IROP Measure 3.4 carried out at the end of 2007 showed that its beneficiaries were more interested in investment rather than advisory projects (among the surveyed projects only 2.4% concerned specialised advisory services). The value of support was higher for investment projects (in ca. 60% of projects exceeding PLN 60 000) than for advisory projects (in ca. 86% of projects under PLN 20 000). In the case of ca. 86% of the surveyed beneficiaries, the number of employees increased as compared to the period prior to the subsidy. At the same time, 61% of the surveyed micro-enterprises recorded growth in turnover (Resource Pracownia badań i doradztwa [2007], p. 7–8).

#### **2.4.1. Implementation of IROP Measure 3.4 in the Łódź region**

In the Łódź region, there were 563 financing applications submitted under Measure 3.4 of the IROP (of which 6 for advisory services and 557 for investments). Out of 222 projects qualified for financing, 25 contracts were not signed and in the case of 39 projects contracts were cancelled during project realisation. Finally, 158 projects were completed, of which 157 have already been settled financially. As of 31 December, 2007, the largest number of projects were realised by micro-enterprises from the Śląskie region (305 either realised or in the course of realisation) and the lowest number by firms from the Opolskie region (72).

The share of the beneficiaries located in the Łódź region accounts for 7.27% of the total number of subsidy contracts concluded under IROP Measure 3.4 (PLN 13 918 598.53) (Roczny raport [2008], p.108). The average subsidy contract in the Łódź region amounted to PLN 88 092.40. Out of 222 beneficiaries from the Łódź region, 20 entrepreneurs requested a subsidy between PLN 190 000 and 240 000 (5 firms requested more than PLN 200 000)<sup>7</sup>. The lowest subsidy request was PLN 2 700. The span of subsidies was considerable, mainly due to the possibility of implementation of two types of projects calling for subsidies in different amounts (advisory and investment).

The largest group of beneficiaries comprised of enterprises from the sector of other business activities (ca. 16% of all the beneficiaries) running business and management consultancy, architectural and engineering activities and related technical consultancy, advertising, investigation and security activities, and photographic activities. Around half of this number (ca. 9% each) was representatives of the construction sector and wholesale and commission trade (except of motor vehicles and motorcycles). The sector of health and social work was represented by ca. 8% of the beneficiaries, and 7% of the beneficiaries were in the

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<sup>7</sup> During the realisation of the first call for proposals, the first version of the IROP Complement was in force. It specified the maximum subsidy amount as 50 000 Euro, which, converted into PLN, made a few projects exceed PLN 200 000.

sector of manufacture of wearing apparel and articles of fur. In total, the beneficiaries represented 29 sectors of activities specified in the Polish Classification of Activities.

### 3. ALLOCATION AND ABSORPTION OF EU FUNDS IN THE LIGHT OF THE CATI STUDY

In the surveyed sample included in the study, 38% of the respondents were the representatives of micro firms employing up to 9 employees, 36% were the representatives of small firms with the employment level between 10 and 49 employees. The remaining 27% consisted of medium-sized firms (50-249 employees). Almost half of the respondents, in 2007 reported a turnover below PLN 1.5 million (43%). Enterprises with a turnover between PLN 1.5 and 10 million accounted for 29% of the surveyed firms, while 20% were firms which generated a turnover higher than PLN 10 million. In the whole sample, 8% of the respondents refused to give information about the size of their turnover.

The composition of the sectors represented in the study was as follows: 48% of firms were active in the manufacturing sector, 33% in the service sector, 12% in the construction sector, 6% in the commercial sector and 2% in the remaining sectors.

As shown in Fig. 1, for 57% projects, more than one person was appointed to carry out the related tasks. More staff were involved in the realisation of SOP ICE 2.1, 2.2.1 and 2.3. More rarely at least two persons were designated to carry out the project's tasks under IROP 3.4 and in micro firms (32% and 33% respectively).

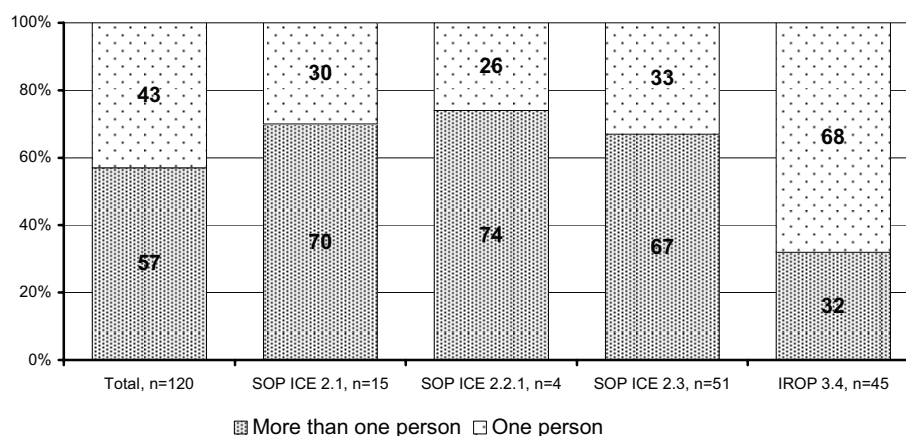


Fig. 1. The number of persons appointed to carry out the projects by type of the programme (% share of total)

Source: own work.

Additional persons most often took part in the project with the task to get information about the possibilities of financing. Then, intensified work was required to prepare the subsidy application and the realisation of the project itself (in almost half of the cases). At the other stages, work from additional persons was necessary in nearly every third project.

Additional persons involved in the realisation of projects under SOP ICE 2.2.1 participated therein at all stages more frequently than it was the case for the other types of the programmes (Fig. 2). At the stage of information gathering, assistance from additional persons was more often used to carry out the projects under SOP ICE 2.1 than the other projects. This was also the case at the stage of the applications' preparations.

▨ SOP ICE 2.1, n=15 ▨ SOP ICE 2.2.1, n=4 ▨ SOP ICE 2.3, n=51 ▨ IROP 3.4, n=45 ▨ Total, n=

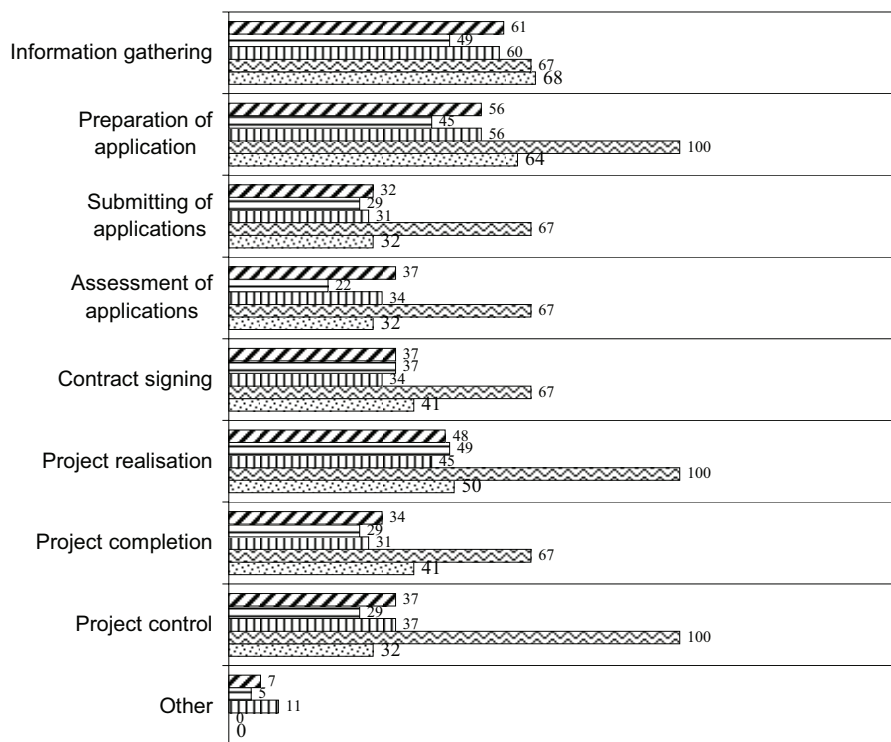


Fig. 2. Stages requiring an involvement of additional staff by type of the programme (% share of total)

Source: own work.

As shown in Fig. 3, half of the persons preparing the project documentation and involved in the project realisation participated in training. More often (66%) it was the case of the IROP 3.4 programme applicants and beneficiaries. Firms were more likely to prepare the documentation without any external assistance if they had trained staff – 60%.

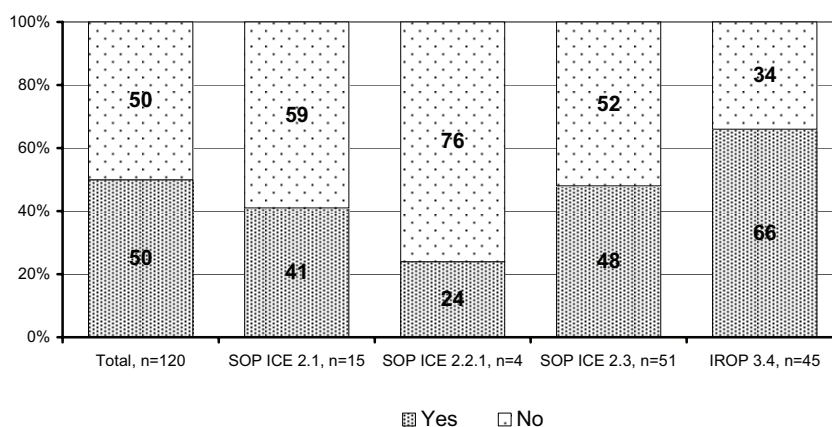


Fig. 3. Staff participation in training by type of the programme (% share of total)  
Source: own work.

### 3.1. Gathering of information on subsidy possibilities

The most popular sources of information about the programmes analysed in the study included:

- the website of the Implementing Authority (41%);
- other websites (30%);
- press/radio/television (28%);
- Consultation Centres providing free advise to entrepreneurs (16%);
- acquaintances (14%);
- commercial advisory firms (14%).

However, for particular programmes the popularity of the above mentioned sources of information was different, as illustrated in Fig. 4.

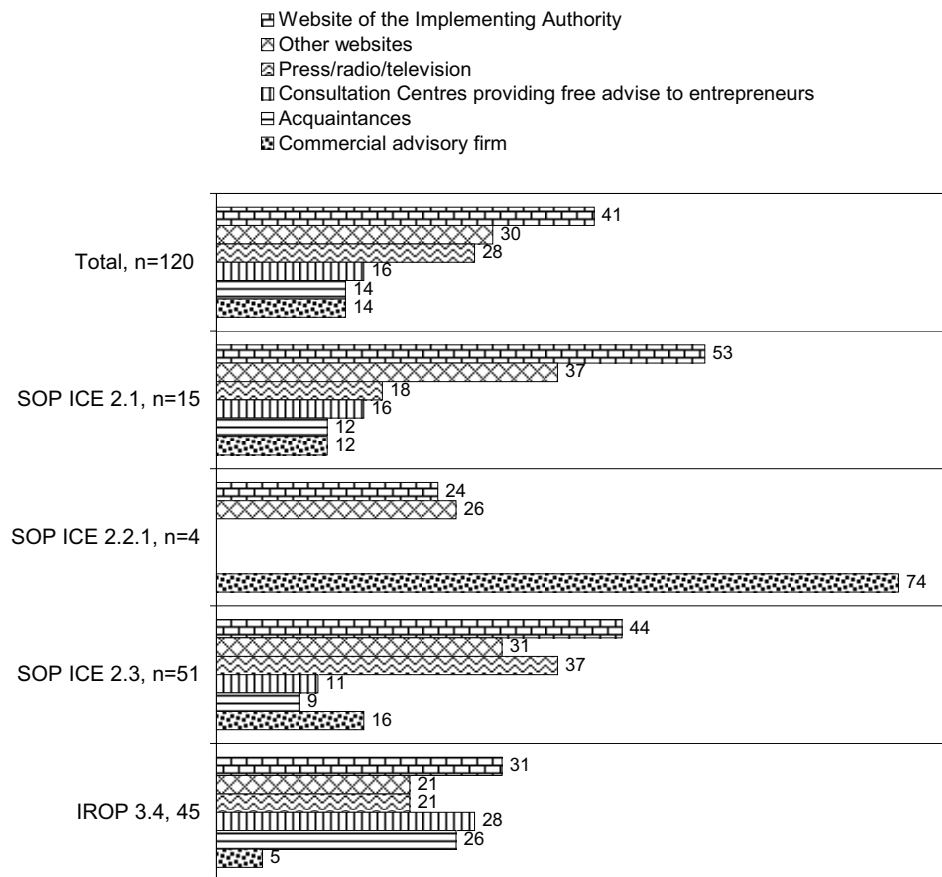


Fig. 4. Popularity of selected sources of information by type of the programme (% share of total, multiple indications were allowed)

Source: own work.

Some variations can be also observed depending on the size of the firm (Fig. 5). Statistically significant differences concerned bigger popularity of the website of the Implementing Authority in medium-sized enterprises (57%), of press, radio and television in small enterprises (40%) and of acquaintances in micro enterprises (24%).



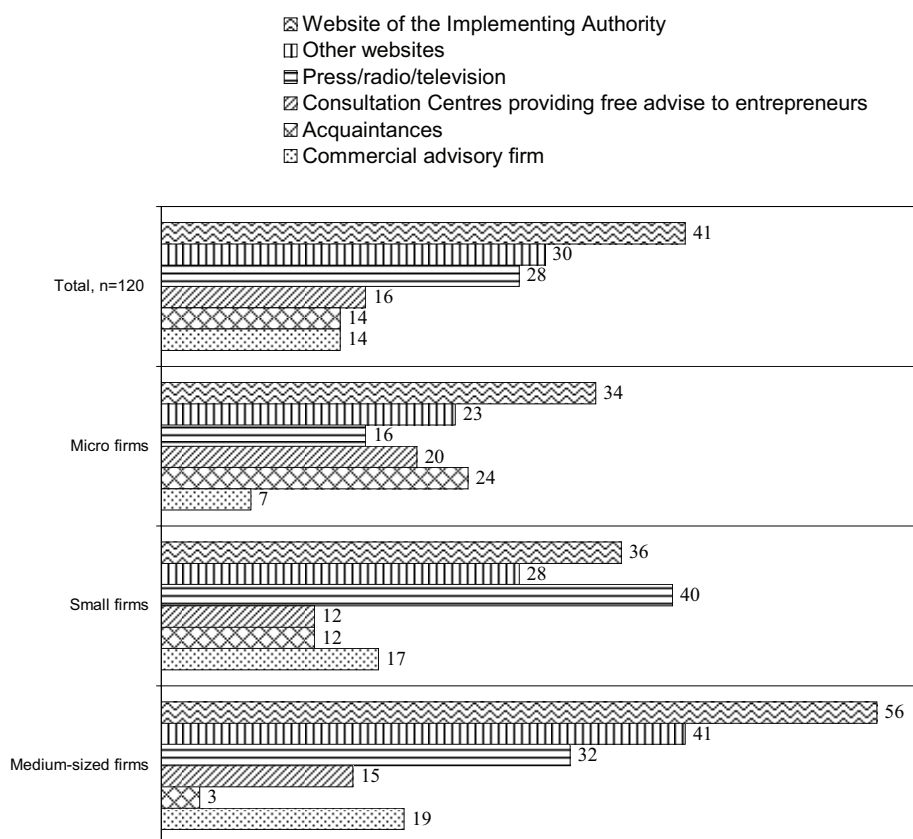


Fig. 5. Popularity of selected sources of information by size of the firm (% share of total, multiple indications were allowed).

Source: own work.

An assessment of particular sources of information presented in Fig. 6 shows that as most useful (more than 4 points given on a 1-5 scale, where 1 means „un-useful” and 5 – „very useful”) are perceived:

- commercial advisory firms (an average of 4.6 points);
- Consultation Centres providing free advise to entrepreneurs (an average of 4.4 points);
- websites of the Implementing Authority (an average of 4.1 points).

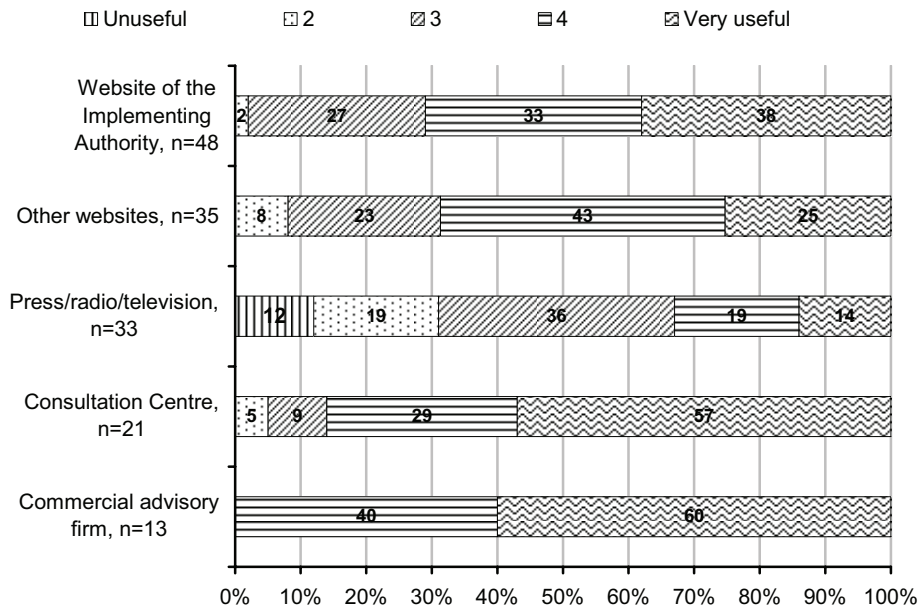


Fig. 6. Assessment of usefulness of selected sources of information (% share of total)  
Source: own work.

### 3.2. Preparation of the subsidy application

The documentation for a bit more than a half of the total number of projects (51%) was prepared by the beneficiaries themselves. The remaining 49% used the assistance from external firms (Fig. 7).

Work to prepare the subsidy application was most frequently commissioned to external firms for SOP ICE 2.3 (60%), and more rarely for SOP ICE 2.2.1 (50%), SOP ICE 2.1 (47%) and IROP 3.4 (38%).

Assistance from external firms was used more frequently from the statistical point of view by small enterprises. A high 65% of the firms of this size did it. The shares for micro and medium-sized firms were 42% and 41% respectively.

It should be noted that from the statistical viewpoint essentially important for the decision of firms to fill in the subsidy application forms on their own was participation of the firm's employees in training sessions. From among the firms whose respondents declared the participation of employees in such training, 61% prepared the subsidy applications without any assistance from external parties (as compared with 40% of firms whose employees did not participate in training).

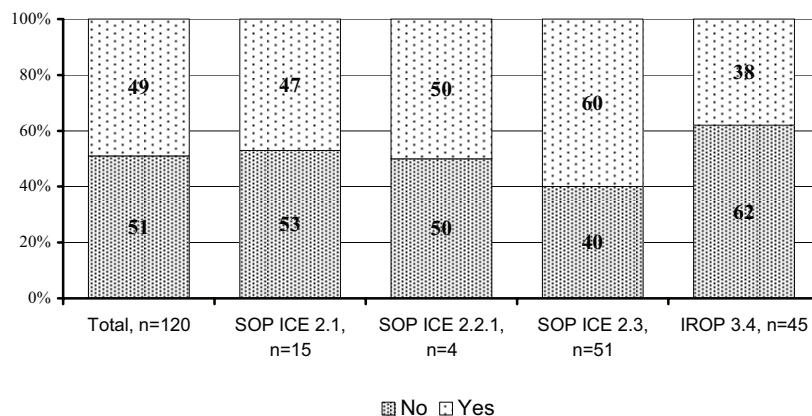


Fig. 7. Use of external firms to prepare the documentation by type of the programme (% share of total)

Source: own work.

Beneficiaries using assistance from external firms at the stage of the application preparation most often concluded contracts with commercial advisory firms (they prepared 76% of the total number of projects). In the course of preparing the application documentation the beneficiaries contacted the appropriate Implementing Authority. For all the discussed programmes the share amounted to 75% as illustrated by Fig. 8. The share was higher than the average in case of SOP ICE 2.1 (88%) and IROP 3.4 (82%); and the lower for SOP ICE 2.3 (68%) and SOP ICE 2.2.1 (74%).

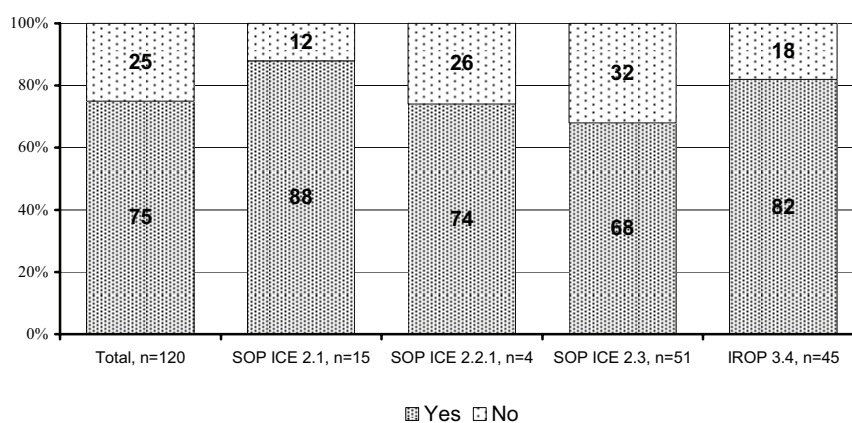


Fig. 8. Contacts with the Implementing Authority by type of the programme (% share of total)

Source: own work.

Contacts with the Implementing Authority were made somewhat more frequently by micro firms (79%). Small firms declared contacts in 74% of cases, while medium-sized firms – in 72% of cases. However, it is worth noting that contacts were made significantly more often by firms whose employees participated in training (87%). These contacts were usually made in the form of telephone conversations (54% share of total); more rarely by visiting the Implementing Authority (41%), whereas visits were significantly preferred by beneficiaries of IROP 3.4 (56%) and in case of projects prepared by more than one person. The remaining forms of contact were used sporadically (4% by post, and 1% by fax). The prevalent majority of the beneficiaries who contacted the Implementing Authority (93%) declared that they benefited from this contact.

As presented in Fig. 9, the most often declared difficulties at the stage of preparing the application documentation included:

- filling in of the application form by means of the application generator (38% share of total); this difficulty was more frequently pointed to by applicants to SOP ICE 2.1; it was also declared most frequently irrespective of the firm size;
- documentation completion according to the requirements set in the competition (34%);
- understanding of the guidelines how to fill in the application form and annexes (26%);
- collection of required annexes (26%).

Factors that in the opinion of the respondents determined to the highest extent the preparation of a complete and correct application documentation included (Fig. 10):

- appointment of a person in charge for the realisation of this task (42% share of total);
- frequent contacts with the Implementing Authority (38%); this factor was significantly more often declared by the beneficiaries of IROP 3.4 (58%);
- capital endowment (35%); this factor was most frequently mentioned by the beneficiaries of SOP ICE 2.1 (47%);
- use of paid advisory services (31%); this factor was most often declared by the beneficiaries of SOP ICE 2.3 (39%);
- experience in the realisation of other EU-funded projects (21%); this factor was most frequently pointed to by the beneficiaries of SOP ICE 2.1 (35%).

Micro firms decisively most often mentioned frequent contacts with the Implementing Authority (58% share of total) as a factor determining the preparation of a complete and correct application documentation. In small companies, the use of paid advisory services was mentioned most frequently (43%). The factor declared to be most important by medium-sized enterprises was an appointment of a person or persons to carry out this task (49%).

SOP ICE 2.1, n=15  
  SOP ICE 2.2.1, n=4  
  SOP ICE 2.3, n=51  
  IROP 3.4, 45  
  Total, n=120

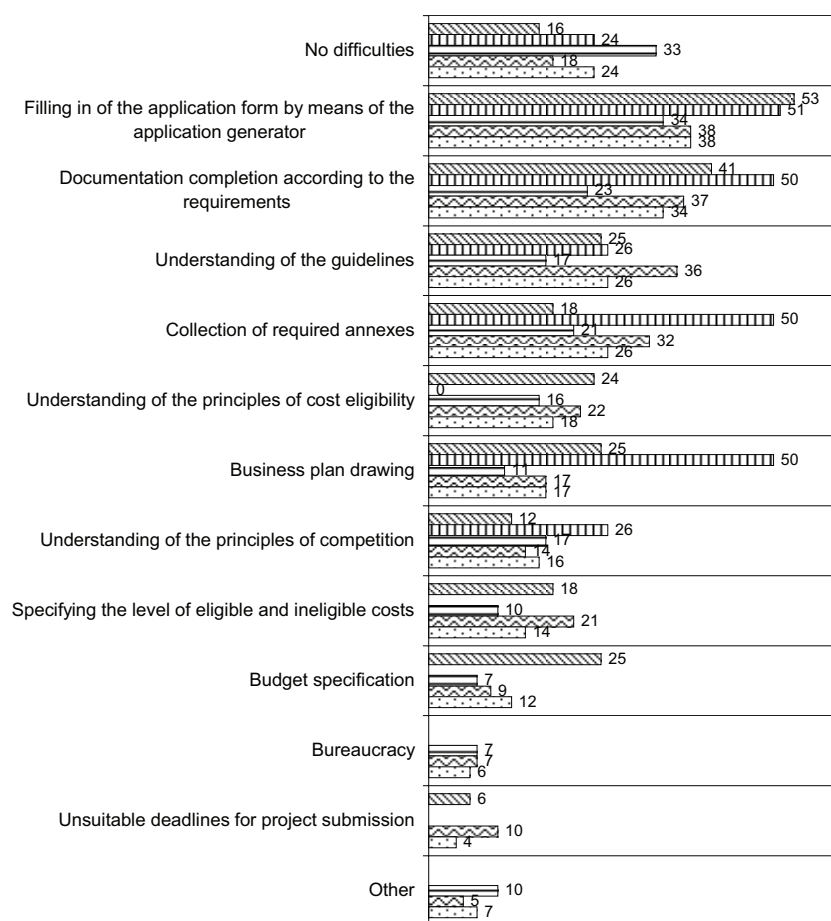


Fig. 9. Difficulties declared at the stage of preparing the application documentation by type of the programme (% share of total, multiple indications were allowed)  
 Source: own work.

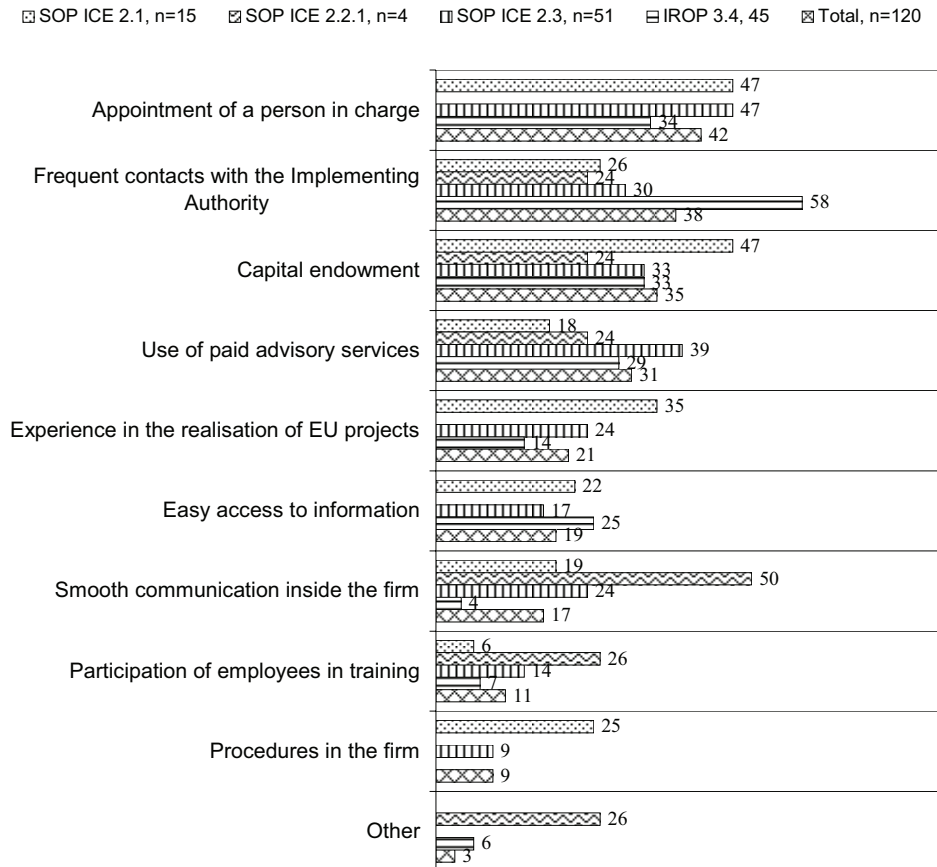


Fig. 10. Factors determining the preparation of a complete and correct documentation by type of the programme (% share of total, multiple indications were allowed)  
Source: own work.

#### 4. CONCLUSIONS

An analysis of the distribution of the Structural Funds among small and medium-sized enterprises in the Łódź region does not bring an unambiguous and clear picture of their attitude and the quality of the business support organisations which facilitated access to these funds through assistance provided to the applicants. SMEs located in the Łódź region were overrepresented in the population of successful applicants in the case of projects focused on investments (particularly financed under Measure 2.3 of the SOP ICE), whereas they were much

less interested in the acquisition of funds for advisory services (SOP ICE Measure 2.1). In the latter case, they were heavily underrepresented in the population with a low 4.29% against 6.69% reflecting the potential of the Łódź region. Typically, the Łódź region ranked in the middle of the lists classifying Polish regions with respect to the number of successful applications.

Ex-post evaluations of the results of the Structural Funds typically showed a very high positive impact on the firm's development and the firm's competitiveness. This influence was mainly relevant for the local market, where most SMEs, especially micro-enterprises, ran their operations.

The most popular sources of information about the programmes analysed in the study included the website of the Implementing Authority (41%), other websites (30%), press/radio/television (28%), Consultation Centres providing free advice to entrepreneurs (16%), acquaintances (14%), commercial advisory firms (14%). However, some statistically significant variations could be observed depending on the type of the programme and the size of the firm. An assessment of particular sources of information revealed that as most useful were perceived commercial advisory firms, Consultation Centres providing free advice to entrepreneurs and websites of the Implementing Authority.

The documentation for a slightly more than a half of the total number of projects (51%) was prepared by the beneficiaries themselves, while the remaining 49% used the assistance from external firms. Assistance from external firms was used more frequently from the statistical point of view by small enterprises (65% as opposed to 42% and 41% for micro and medium-sized firms respectively).

The most often declared difficulties at the stage of preparing the application documentation included filling in of the application form by means of the application generator (38%), documentation completion according to the requirements set in the competition (34%), understanding of the guidelines how to fill in the application form and annexes (26%), and collection of required annexes (26%).

Factors that in the opinion of the respondents determined to the highest extent the preparation of a complete and correct application documentation included an appointment of a person in charge for the realisation of this task (42%), frequent contacts with the Implementing Authority (38%), capital endowment (35%), the use of paid advisory services (31%), and experience in the realisation of other EU-funded projects (21%).

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Janusz Kornecki

#### **WSPARCIE INWESTYCJI W MAŁYCH I ŚREDNICH PRZEDSIĘBIORSTWACH PRZY WYKORZYSTANIU FUNDUSZY STRUKTURALNYCH UNII EUROPEJSKIEJ NA PRZYKŁADZIE WOJEWÓDZTWA ŁÓDZKIEGO**

Niniejszy artykuł przedstawia wyniki badania dotyczącego oceny efektów wspierania środkami pomocowymi Unii Europejskiej małych i średnich przedsiębiorstw (MŚP) w województwie łódzkim, przeprowadzonego w okresie sierpień – październik 2008 r. na zlecenie Urzędu Marszałkowskiego w Łodzi.

Badaniem została objęta populacja beneficjentów, którzy zakończyli realizację projektu na terenie województwa łódzkiego w ramach m.in. Sektorowego Programu Operacyjnego Wzrost Konkurencyjności Przedsiębiorstw (działania 2.1 lub 2.3). Badanie przy wykorzystaniu techniki CATI (wywiadu telefonicznego wspomaganego komputerowo) przeprowadzono wśród ogółem 66 firm, które uczestniczyły w w/w działaniach.

Ocena efektów wsparcia małych i średnich przedsiębiorstw w województwie łódzkim w okresie poakcesyjnym w ramach wybranych projektów finansowanych ze środków pomocowych Unii Europejskiej przynosi niejednoznaczne wyniki. O ile beneficjenci projektów pozytywnie oceniają zmiany w przedsiębiorstwie wywołane uczestnictwem w projektach, o tyle już dość znacząco różnią się w ocenie konkretnych korzyści. Jeszcze większe różnice można dostrzec w zakresie aktywności MŚP z województwa łódzkiego w staraniach o środki unijne i ich skuteczności w porównaniu z firmami z innych województw. W przypadku działania 2.1 SPO WKP umowy na dofinansowanie projektów w województwie łódzkim stanowiły niewiele ponad 4% wszystkich umów podpisanych w ramach tego działania na terenie kraju (zdecydowanie poniżej potencjału województwa mierzonego liczbą firm łódzkich w stosunku do liczby firm ogółem w kraju, który wynosi 6,96%), natomiast wartość środków wypłaconych łódzkim przedsiębiorcom stanowiła 7,05% wartości wszystkich płatności, co oznacza, że realizowali oni projekty o wartości nieco większej niż średniej dla całego kraju. W przypadku działania 2.3 w województwie łódzkim zrealizowano ok. 10% wszystkich projektów, a wartość wypłaconych środków sięgnęła 13,41% budżetu całego działania. Wskaźniki dla tego działania znacząco przekraczają potencjał województwa łódzkiego.