DEVELOPMENT OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN POLAND WITH THE SUPPORT FROM EU FUNDS

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Abstract
The dynamic economic development observed in recent years is, to a large extent, stimulated by micro, small and medium-sized entrepreneurs. Entities in this sector are the lifeblood of the economy, as the economy of the vast majority of countries in the world is based on this sector. The SME sector has limited investment opportunities for financial reasons. Support from EU funds has enabled entrepreneurs to invest in new technologies and improve qualifications, it also helped to reduce unemployment, and funds allocated for research and innovation created conditions for development and competitiveness of entrepreneurs. Capital inflows have also facilitated access to the internal market for small companies. The increase in the number of micro, small and medium entrepreneurs obtaining EU support translates into sustainable development of this market sector, and thus stimulates the socio-economic development of the country. The aim of this analysis is to present the development of Polish enterprises against the background of implementation of the cohesion policy in the next financial perspectives.

Keywords: SME development: EU cohesion policy: competitiveness; EU funds; operational programmes.

JEL Classification: K20

I. INTRODUCTION

The European Union recognises the micro, small and medium-sized enterprise (SME) sector as a source of competitiveness of the European economy and economic growth of the Member States. This entrepreneurial sector contributes to international ties and the emergence and implementation of innovative solutions (Schwab, 2019), as well as creation of new jobs (Danielak, 2017; Belas, Kmečová & Cepel, 2020). It should be noted that about 99.8% of actively operating entrepreneurs in Poland can be classified as SMEs, including 96.7% of micro-enterprises (Skowrońska & Zakrzewski, 2020).

As in most EU countries, in Poland the definition of SMEs is also based on the quantitative criterion, as reflected in the national legislation. In the light of the provisions of the Entrepreneurs’ Law, the basic indicator determining whether an entrepreneur belongs to the SME segment, is the number of employees (Article 7(1)(1-3) of the Entrepreneurs’ Law Act of 6.3.2018 (consolidated text: Journal of Laws of 2021, item 162). The dynamic development of the market economy at the turn of the 20th and 21st centuries enabled the development of small and medium-sized enterprises, and the inflow of capital has facilitated access to the internal market for small companies. Investing in education and skills has helped to reduce unemployment, and funding of research and innovation has created conditions for growth and competitiveness of enterprises.

The most important barrier to entrepreneurship development is limited capital. Lack of sufficient financial resources is a constraint not only for entrepreneurs setting up a business, but also has a direct impact on the functioning of those already operating in the market. The high cost of obtaining loans, such as interest rates, fees, commissions, and insurance is an obstacle, especially for the SME sector (Kozień, 2018). Difficult access to funds from loans is primarily associated with the lack of sufficient collateral to guarantee repayment of the funds, which is why EU funds are an opportunity for development of Polish entrepreneurship.

Support from EU funds allows entrepreneurs to invest not only in the current activity of the enterprise, but also enables the development of innovative technologies (Zuzek, 2013; Sergej, 2016). The largest group of beneficiaries of EU funds in Poland are local governments and entrepreneurs.

II. SOURCES OF ENTREPRENEURSHIP FINANCING IN POLAND

In the pre-accession period, Poland had received funds from three pre-accession funds: Instrument for Structural Policies for Pre-Accession (ISPA), Special Accession Programme for Agriculture and Rural
Development (SAPARD) and Poland and Hungary: Assistance for Restructuring their Economies (Phare). ISPA did not target SMEs, SAPARD targeted SMEs in rural areas and the agri-food sector, while PHARE allowed entrepreneurs from the SME sector to apply.

The primary objective of PHARE was to facilitate the transition - building a civil society and market economy to prepare the Polish economy for European integration (Oręziak, 2009; Wielofolski & Szmigiel, 2006). Poland was the biggest beneficiary of the PHARE fund - financial aid was granted to institutions and service, production and commercial enterprises, as well as farmers. Within the framework of PHARE 2000, the National Programme for the Development of Small and medium-sized enterprises was singled out, the funds of which were channelled to support economic activity. That programme was implemented throughout Poland with an annual budget of €21,330,000, of which €16,000,000 was EU funds and €5,330,000 was state budget funds (Sosin, 2006). Most funds were allocated for the implementation of national programmes, for projects concerning the production sector, in particular for investment and advisory support for small and medium-sized enterprises, including those aimed at the development of innovativeness. At the same time, infrastructural investments were supported as a prerequisite for economic activity, such as facilitating access to investment areas (Zawora, 2012; Tomaszewicz, 2014).

It is also worth emphasising the importance of the Polish Agency for Enterprise Development (PARP), established in 2001, responsible for the implementation of aid measures from the state budget and the European Union budget for the development of Polish entrepreneurship (Act of 9 November 2000 on the establishment of the Polish Agency for Enterprise Development (PARP), Journal of Laws of 2020, item 299). The Agency was established in 2001 as a result of transformation of the Polish Foundation for Promotion and Development of Small and Medium-Sized Enterprises. In 2002, under the government programme “Entrepreneurship First”, PARP took over the following tasks and duties of the Technology Agency and the Polish Agency for Regional Development. The Polish Agency for Enterprise Development acted as a Plenipotentiary for the implementation of the Phare Programme.


As part of the third financial perspective 2014-2020, the European Union allocated EUR 82.5 billion to Poland to implement the cohesion policy. The most numerous group of beneficiaries of EU funds in 2014-2020 was entrepreneurs and local governments (Report - State of implementation of European Funds in Poland in 2014-2020). Approximately EUR 20 billion was earmarked for the development of enterprises in this period, and micro, small and medium-sized enterprises were given the relatively greatest opportunities for obtaining support.

The basic financial instruments of the structural policy implemented by the European Union are the Structural Funds (fr. fonds structurels – FS), so the analysis of the issues that are the subject of this paper will be carried out in the context of these funds (Ryszkiewicz, 2013).

There were four Structural Funds in the 2000-2006 programming period:
- European Regional Development Fund,
- European Social Fund,
- European Agricultural Guidance and Guarantee Fund (only the guidance section is a Structural Fund),
- Financial Instrument for Fisheries Guidance.

There was also the Cohesion Fund, an EU financial instrument implemented at the level of some countries.

For 2007-2013, as a result of the reform of cohesion policy, the number of funds was reduced to two: European Regional Development Fund and European Social Fund. In this financial period, alongside the Cohesion Fund, there were also funds supporting investments in agriculture and fisheries: European Agricultural Fund for Rural Development and European Fisheries Fund.

In the 2014-2020 financial perspective, the European structural and investment funds included:
- European Regional Development Fund,
- European Social Fund,
- Cohesion Fund,
- European Agricultural Fund for Rural Development,
- European Maritime and Fisheries Fund.

The EU funds have supported the economic development of all Union countries in line with the objectives of the Europe 2020 Strategy (Communication Europe 2020 “A strategy for smart, sustainable and inclusive growth”). Funds are instruments of structural policy, aimed at supporting the restructuring and modernisation of the economy of EU countries and increasing the economic and social cohesion of the Union, and are addressed to those sectors of the economy and regions which, without financial assistance, are unable to match the average economic level in the EU (Sorychta-Wojczyk & Musiol-Urbanczyk, 2016).

The Union also introduced four financial instruments:
- JASPERS and JASMINE - for technical assistance in the preparation of large infrastructure projects,
- JEREMIE - facilitating access to microfinance for small and medium-sized enterprises,
- JESSICA - support for urban development (Wasilewska, 2012).

The most important document defining the investment strategy in the 2014-2020 perspective was the Partnership Agreement - Programming of the 2014-2020 financial perspective. That document set the strategic objectives and investment priorities of the country, linking them to the objectives of the “Europe 2020” Strategy (Gasz, 2014). The Implementation Act (Act of 11 July 2014 on the principles for the implementation of cohesion policy programmes financed in the financial perspective 2014-2020, consolidated text: Journal of Laws of 2020, item 818) provided the legal framework on the Polish side for implementation of the provisions of the Partnership Agreement. Poland's response to the postulates presented in the Europe 2020 strategy was the Medium-term Country Development Strategy 2020, which defined the development objectives of the state until 2020 and the “Long-term Country Development Strategy. Poland 2030. Third wave of modernity”, also includes a vision for development of Poland until 2030. These strategies are elements of the country's development management system, the foundations of which were laid down in the Act on the principles of development policy (Act of 6 December 2006 on the principles of development policy, consolidated text: Journal of Laws of 2019, item 1295, as amended).

III. OPERATIONAL PROGRAMMES SUPPORTING MICRO, SMALL AND MEDIUM-SIZED ENTREPRENEURS IN POLAND

Structural funds are implemented in Member States through operational programmes. Entrepreneurs could apply for EU funding under both the National Programmes and the Regional Operational Programmes provided for each province.

In the respective financial perspectives, individual operational programmes were dedicated to entrepreneurship and although their names changed, the objective remained the same - to support entrepreneurs. The author limited her considerations only to the possibility of obtaining financing by entrepreneurs, omitting the equally complex issue of barriers identified in the process of applying for EU funds (Dubel, 2012; Piwowarczyk, 2017).

In the first financial perspective 2004-2006, four measures under two Operational Programmes were of particular importance for the SME sector:

The first one was the Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises (Regulation of the Minister of Economy and Labour of 1 July 2004 on the adoption of the Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises, years 2004-2006, Journal of Laws of 2004 No. 166, item 1744):
- Measure 2.1 - Improvement of the competitiveness of small and medium-sized enterprises through consultancy,
- Measure 2.3 - Improvement of competitiveness of small and medium-sized enterprises through investments,
- SMEs could also obtain funding under Measure 2.2.1 - Support for enterprises making new investments - subsidies for investments and employment (Bialasiewicz, 2013).

The Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises (SPO WKP), known as the Union for Entrepreneurs - “Competitiveness Programme”, was the first comprehensive enterprise support programme financed by the European Regional Development Fund. The programme was primarily targeted at the small and medium-sized enterprise sector. The primary objective of the Sectoral Operational Programme - Improvement of the Competitiveness of Enterprises was to improve the competitive position of enterprises operating in Poland under the conditions of the Single European Market (Stępnia-Kucharska, 2007). Entrepreneurs could obtain funds to implement quality management systems, develop the company on the basis of new technologies, undertake and develop export activities, as well as acquire knowledge in the field of legal requirements of occupational health and safety.
An example is the implemented project entitled “Improvement of competitiveness of the company through introduction of new technology and extension of technical facilities” (co-financed from the Sectoral Operational Programme – Improvement of the Competitiveness of Enterprises, in the years 2004-2006, Priority 2 Direct support to enterprises, Measure 2.3 Improvement of competitiveness of small and medium-sized enterprises through investment). The financial support obtained allowed the company to strengthen its competitive position on the domestic and EU markets. The use of new technologies in the project and the introduction of a modern management system made it possible to increase the quality of the production process, reduce the amount of waste and the consumption of materials and machines used (http://www.bikkoplast.pl/40/projekty, accessed 5.2.2021).

The second programme offering assistance to entrepreneurs was the Integrated Regional Development Operational Programme (Regulation of the Minister of Economy and Labour of 1 July 2004 on the adoption of the Integrated Regional Development Operational Programme 2004-2006, Journal of Laws of 2004 No. 166, item 1745). Entrepreneurs had the opportunity to apply for funding under:

- Measure 2.5 - Promotion of entrepreneurship
- Measure 3.4 - Microenterprises.

The primary objective of the programme was to stimulate the creation of new micro-enterprises and to provide newly registered micro-entrepreneurs with assistance in using the available support instruments.

Within the framework of the next financial perspective 2007-2013, the entrepreneurs from the micro, small and medium-sized enterprises sector could also obtain funds within Regional Operational Programmes. In each of these programmes, at least one priority provided funds for investments in companies and for increasing their competitiveness.

Entrepreneurs could also apply for funding from the Operational Programme Innovative Economy, which was intended in particular for enterprises implementing innovative investments on a supra-regional scale. Support under that programme covered the so-called business environment institutions whose task was to stimulate innovation and competitiveness, such as regional and local development agencies, business incubators, technology transfer centres and chambers of commerce. The tasks of the Innovative Economy Operational Programme included supporting the development of innovative enterprises and increasing the competitiveness of the Polish economy. In particular, the co-financing covered initiatives related to the application of new technological solutions, products and services.

Entrepreneurs also applied for funds under the Regional Operational Programmes, for example funds were awarded to the project entitled “Increasing competitiveness of the enterprise by improving innovation, developing technical, warehouse and office facilities”.

Entrepreneurs belonging to the SME sector could obtain funds for implementation of pro-ecological tasks under the Operational Programme Infrastructure and Environment. Numerous measures implemented within the scope of that programme were oriented towards modernization of resource and waste management technologies, reduction in harmful gas emissions, support of industrial development for renewable energy sources.

Under the Operational Programme Human Capital, also implemented in the 2007-2013 financial period, funds were available to improve the skills of entrepreneurs and employees. The basic assumption of Measure 2.1 Development of Human Resources for Modern Economy was to increase the effectiveness of human resources by promoting new work organisation and management methods. The activities carried out were aimed at increasing the competitiveness of Polish entrepreneurs (Jankowska, Sokół & Wicher, 2009).

In the financial perspective 2014-2020, subsidies for entrepreneurs were foreseen primarily in the regional programmes of the respective provinces, but also in the Intelligent Development and Eastern Poland Programmes (Sawicki, 2019). The Operational Programme Eastern Poland supported innovative entrepreneurship in the Lubelskie, Podlaskie, Podkarpackie, Świętokrzyskie and Warmińsko-Mazurskie provinces. For the development of start-ups in Eastern Poland, the amount of PLN 21,673,974.04 was allocated.

As part of the Regional Programme for the Podkarpackie Province, entrepreneurs had the opportunity to obtain support for research and development works:

- development of prototypes, demonstrations, development of pilot projects, testing and validation of new or improved products, processes or services,
- pre-implementation works, i.e. activities preparing for the implementation of the results of works in economic activity, i.e. leading the solution being the subject of the project to the stage when it is possible to commercialise it, and investments necessary to make the innovative solution (product, service, process) resulting from the conducted development works marketable.

Operational Programme Intelligent Development to a large extent continued the assumptions of the Operational Programme Innovative Economy. Its main objective was to increase the innovativeness of the Polish economy by increasing expenditures on research and development (R&D) and creating demand for innovations and R&D works among enterprises. This programme was financed exclusively by the European Regional
Development Fund and national public and private resources. Around EUR 8.6 billion was earmarked for this operational programme. Entrepreneurs could obtain funds to finance research equipment, technology and infrastructure for the creation of research and development centres and implementation of projects carried out by scientific consortia. Operational Programme Intelligent Development - Measure 1.1.1. “Fast Track” was the largest programme for financing research and development works of enterprises. Its main objective was to support research, technological development and innovation. Operational Programme Intelligent Development financed loans for technological innovations (technological bonus, in other words), the flagship programme of Bank Gospodarstwa Krajowego addressed to micro, small and medium-sized enterprises.

Entrepreneurs also had the chance to apply for funding from the Operational Programme Digital Poland, in particular telecommunications companies could apply for for funds to build, expand or rebuild high-speed Internet access networks.

Under the Knowledge Education Development Operational Programme, it was possible to obtain co-financing to improve staff qualifications; regional programmes offered financial support for all enterprises in the area of training, consultancy and post-graduate studies.

It is also worth noting the opportunities provided to entrepreneurs by the Horizon 2020, EU’s largest research and innovation programme (Miszczak, 2014). As part of the programme, small and medium-sized companies could benefit from grant activities:
- Cooperation projects enabling beneficiaries to form consortia between enterprises, universities, R&D centres and other entities which can jointly carry out research and innovation projects,
- EIC Accelerator Pilot - Enhanced European Innovation Council, a pilot accelerator programme for the development and market introduction phase, addressed to small and medium-sized enterprises from various industries, including startups, those operating for-profit, originating from EU Member States or Horizon 2020 partner countries. The EIC Accelerator budget for 2019-2020 was estimated at €1.3 billion. The programme replaced the so-called SME Phase II instrument.
- EIC Pathfinder Pilot - for early stage R&D works that support innovative solutions (technology, product, service).
- Marie Skłodowska-Curie Actions are research and development grants aimed at supporting the career development of researchers.

IV. CONCLUSION

Increase in the competitiveness of companies in the SME sector was one of the 11 thematic objectives of the cohesion policy for 2014-2020. Support from EU funds does not only include non-refundable grants for project implementation, but also loans and credits granted on preferential terms, equity funds or venture capital funds and other forms of repayable funding (Kielesińska, 2014; Korzeniewska, 2016; Kasprzak, 2016).

In the light of the position of the European Commission, expressed in the so-called Position Paper (Position of the Commission Services on the development of Partnership Agreement and programmes in POLAND for the period 2014-2020, European Commission), one of the priority directions of activities financed from the European Structural and Investment Funds (ESFI) in the perspective 2014-2020, was the creation of a business environment in Poland that is conducive to innovation. According to the study entitled “Smart Industry Polska 2020”, the knowledge of the concept of Industry 4.0 and the number of implementations of its elements and the degree of transformation of manufacturing companies from the SME sector, are growing (Smart Industry Polska, 2019; Bendkowski, 2017).

What is equally important for entrepreneurs is projects that obtained funds for development of their activities, intended for the purchase of equipment or expansion of existing infrastructure, transferred most often in the form of refundable loans granted on preferential terms. The competitiveness of SMEs is also fostered by their activity on international markets, for which it was also possible to obtain funding from the EU, e.g. Measure 3.3.2 “International activity of Małopolska SMEs” of the Małopolska Regional Operational Programme. European funds stimulate the development of Polish enterprises, the number of registered entrepreneurs and the number of innovative projects are systematically increasing, new jobs are also being created.

Unfortunately, the COVID-19 pandemic prevailing since early 2020 has caused a deep crisis in the economies of the respective countries and in the global economy. All entrepreneurs, but especially SMEs, are in a difficult position. Support is needed so that entrepreneurs can not only continue to function and develop but, above all, survive in the market. A response to the growing needs of entrepreneurs is a comprehensive package of measures of the Polish government, which is to counteract the economic effects of the coronavirus pandemic, the so-called anti-crisis shields, which support the maintenance of economic activity and jobs in enterprises. The Financial Shield of the Polish Development Fund for Companies and Employees is an aid programme, launched
within the framework of the Anti-Crisis Shield, it provides support for companies affected by the COVID-19 pandemic in Poland. The period 2021-2027 presents the next financial perspective which, with the support of EU funding, will ensure Poland's long-term development and facilitate a return to high economic growth after the COVID-19 pandemic. Cohesion policy will pursue objectives related to investment for jobs and growth and to European territorial cooperation.

Development of micro, small and medium-sized enterprises is a guarantee of further dynamic economic growth of the country, but also of competitiveness of goods and services offered on international markets. Funds offered to entrepreneurs within the framework of the respective operational programmes create new opportunities for creative development. Despite promising data on the implementation of the Industry 4.0 concept (Ślusarczyk, 2019), there are still many entrepreneurs afraid to apply for EU funds. Improvement in the awareness of entrepreneurs on the possibilities of obtaining funding translates into an increase in new technologies, jobs, and thus development of the country.

It is also crucial to make effective use not only of the funds themselves, but also of the implemented projects, i.e. infrastructural or innovative ones. It is important to consider whether the introduced solutions will continue to be used after the project is over and settled, and whether they will contribute to the enterprise's development. The requirements arising from the competition documents that make it possible to obtain support, in a way force the entrepreneurs to analyses these issues in depth, guaranteeing implementation of the project assumptions in subsequent years. Achievement of sustainable effects is possible only if the obtained funds are implemented through projects responding to current market needs.

The conducted research clearly indicates that the financial support from EU funds enabled entrepreneurs not only to improve their qualifications, but also to implement new technologies and strengthen the competitive position of Polish companies on international markets. By being flexible, responsive and adapting to the changing socio-economic situation, SME entrepreneurs may effectively boost the country's economic growth again.

REFERENCES