



The Impact of EU Cohesion Policy on Small and Medium Enterprises in Visegrad Countries: Integration of a Social-Market Economy?

Proceedings of the Conference held on 19.10.2010



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The Impact of EU Cohesion Policy on Small and Medium Enterprises in Visegrad Countries: Integration of a Social-Market Economy?

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CONFERENCE PROGRAMME

8:30 – 9:00	Registration
9:00 – 9:15	Introduction Oto Potluka (IREAS, Institute for Structural Policy)
9:15 – 9:40	EU Cohesion Policy: Social Market Economy – Solidarity or Competition or Both? Oto Potluka (IREAS, Institute for Structural Policy)
9:40 – 10:05	Synergy of EU and Regional Economic Innovation Promotion in Saxony and Its Impacts Cornelie Kunze / Tatsiana Makarevich / Florian Woitek (University of Leipzig, Centre for International Economics)
10:05 – 10:30	Structural Funds, NGOs and the Partnership Principle in Slovakia in 2004-2006 Ctibor Košťál (Slovak Governance Institute)
10:30 – 11:00	Discussion
11:00 – 11:30	Coffee break
11:30 – 11:55	Analysis of the 2007-2008 Action Plan of the North Hungary Operative Programme Dániel Kuttor (University of Miskolc, Institute of World and Regional Economics)
11:55 – 12:20	Public Procurements and SME Lenka Švecová (University of Economics in Prague)
12:20 – 12:45	Czech-Polish cross-border cooperation among SME Stanisław Korenik / Niki Derlukiewicz / Małgorzata Rogowska (University of Wrocław)
12:45 – 13:15	Discussion

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Introduction

1

Moderator

Good morning ladies and gentlemen,

*I welcome you to this conference, which will cover the topic concerning the Structural Funds. Specifically it covers their impact on the Visegrad countries. This conference under the title *The Impact of European Union Cohesion Policy in the Visegrad Countries* is subtitled: *Challenges for the future*. The conference is a part of a project realized in cooperation with several partners – IREAS being the leading partner, Matej Bel University in Banska Bystrica, the Slovak Governance Institute, the Centre for International Economics University of Leipzig, the Institute of World and Regional Economics, the University of Miskolc, the Department of Management at University of Economics in Prague and last, but not least, the University of Economics Wroclaw. Now, I ask the coordinator of the project Mr. Oto Potluka to give a few introductory words.*

Oto Potluka (IREAS, Institute for Structural Policy)

Ladies and gentlemen,

I welcome you to today's conference that we are holding with those partners already mentioned. Firstly, I would like to thank three organizations that are supporting the whole project and also this conference. Those are the International Visegrad Fund supporting the project with the same name as the conference. It would be better to call it the Impact of EU Cohesion Policy in the Central Europe as one of the partners is the University of Leipzig. We also thank the Konrad-Adenauer-Stiftung which is our long-term partner. We organize conferences or publish publications with this foundation almost every year. The third partner is the Czech-Polish Forum. One part of the project was supported by this Forum. It concerned cross-border cooperation of the Czech Republic and Poland. Once again, I thank all these supporting organizations.

When we were thinking about the name of this project, we asked ourselves – in the end, what shall we say about the impact of Structural Funds in Central Europe – have the impacts been good? Or shall we state the contrary! " ? When you look at those contributions, you can find some that are critical and some contributions that perceive the structural funds as a positive factor. Indeed, reality is not black and white. When we searched for some studies of the impact of Structural Funds in Europe, even representatives of the

evaluation unit of the General Directorate for Regional Policy mentioned that the number of impact studies of good quality is relatively low and you could count all of them on one hand.

To do a robust impact analysis was not our ambition, since we did not have sufficient data. The project is relatively small, both in financing and the time spent. So we wanted to focus more on specific topics that dealt with the Structural Funds in these countries. The countries had to cope with them, e.g. the support concentrated in large amounts or the Principle of Partnership – it was something new for both the public administration and for companies and non-profit organizations, too. Both sides had to learn. Another issue is the issue of evaluation. As a matter of fact, in the mid 90's only one third of the programmes had a clearly defined objective in the Czech Republic. Therefore, an evaluation of how successful the programme was and whether it reached its goal could not be made.

The outcome of this project will be a publication with case studies. Some of today's contributions are based on this publication. You, as participants, will have access to a recording of this conference and we'll send you the publication which should be released during this year. I believe this is our small contribution to the debate on the future of cohesion policy, which is gaining in intensity. It will be very intensive during the next year.

Moderator

Thank you Mr. Potluka for the introduction. As I look at the programme and the list of speakers, I see it will be a very pleasant day. The conference is organized in two parts - the morning session has three lectures followed by discussion. If you have any questions to the speakers keep them for this discussion. Then it is followed by an afternoon programme and discussion, again. We will finish at approximately a quarter past two

And that's all for the organization and now I give you Mr. Potluka, who will give the first contribution today.

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EU Cohesion Policy:
Social Market Economy- Solidarity
or Competition or Both?

2

Oto Potluka

(IREAS, Institute for Structural Policy;
Department of Management, University of Economics Prague)

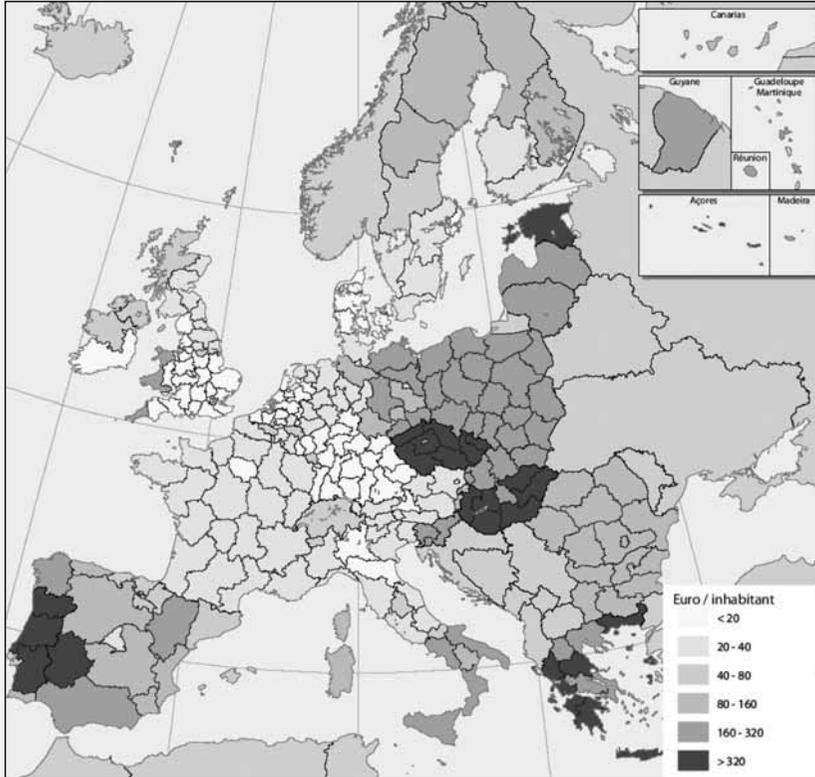
Ladies and gentlemen, when you look at the title of my contribution: Cohesion Policy: Social market economy – competition or solidarity? You might ask why have I chosen such a name. It combines a social market economy and the Cohesion Policy. The name came from the discussions with the Konrad-Adenauer-Stiftung that wanted something about the social market economy to be mentioned. At first, I wondered if I should accept it and how to embrace this theme. Finally, even though these are two themes with just a slight connection, I tried to connect them in some way. When you go through the materials used in the presentation, you will find that there are certain connecting points.

The presentation starts with a comparison and I'd also like to focus on the future of the EU Cohesion Policy. The question of solidarity and competition is very topical – especially during negotiations. As the motto, I used a quote from Barca's report (Barca 2009, p. VII). *"The risk of wrong changes is high. The risk that no change will take place is also very high."* It means that everyone feels that the Cohesion Policy needs some adjustment, but it will be difficult to process it and nobody wants to start with it.

When I start with the social market economy, it rejects both the pure market economy and socialism. I reflected that in the Cohesion Policy. There is a paradox. According to various studies, competitive economies are those without state intervention. But Cohesion Policy paradoxically is a very massive state intervention. There is a frequent discussion at the project level if the public support from these funds does not harm the market environment. For example, should public transport in cities be supported or not? What if those companies operating the public transport, financed by public budgets, will receive support from the Structural Funds? They use their buses to organize trips where the environment is competitive. Like in the social-market economy, I also found in the Cohesion Policy these two elements. It is neither a pure market direction nor a state entrepreneurship, even though it is a redistribution of resources.

Another point is the collective bargaining and the Cohesion Policy, which uses the principle of partnership. The target groups or social partners have the opportunity to discuss on what to focus the policy. Of course, there is the question of liability. Someone is responsible for the decision on the one hand. On the other, there are also stakeholders who discuss the form of cohesion policy and influence it but with no responsibility for it. In this respect, the principle of partnership is very often discussed at the programme level, at the

Map 2.1 Overall annual aid intensity 2007-2013 Euro/inhabitant



Source: Barca's report 2009

European level, the national level and in the design of the programs. In some countries, the form of the call for proposals is discussed with the target groups. In some countries, there are intermediate bodies outside the public sector and therefore they have closer access to the needs of these groups.

I am slowly getting to the debate about the future. When you look at the map, it shows the average annual contribution or the intensity of contributions of each country. The Central European countries have darker colours. It is a fairly large region with a relatively high intensity of support. A second area with high assistance is the Iberian Peninsula.

It is clear on this map that the Central European countries have much in common for negotiating cohesion policy. At least a lot of money is at stake. As I mentioned, the discussion on the future of Cohesion Policy has already begun. It began, in a certain way, two years ago at various academic conferences, at the meetings of regional development ministers for the individual Member States etc. The discussants try to check the background, discuss the various options, but they discuss everything but money. The Fifth Cohesion report should be published soon. When I asked the European Commission, at what stage of publishing the report is, I was told that everything has been prepared with the exception of the financial proposals, which are kept secret. It is a sore topic and the toughest discussion and negotiation will be here. I think that even if the debate runs, leading the substantive issues, the real debate on the future of the Cohesion Policy begins at the moment when the proposals of the financial allocations for each country are on the table.

One such major issue is whether to support the poorer regions, where economic development is lagging behind or to promote competitiveness and growth poles. When you look at the map of Central Europe, in every country you can find a situation where the capital can act as a pole of development, even though the rest of the country meets the criteria for massive support. The exception in this regard is probably Poland, due to its size, but Warsaw plays a similar role. The discussion is also associated with the question – whether to support the poorer regions, or should the Cohesion Policy be European-wide? When you look back at the map, although in some countries the support is lower, there is at least some support. The voices of the original EU15 countries say that this policy should be European-wide, which is understandable. As major contributors to the budget of the European Union, they want to get part of those funds back. The discussion is about the policy – European-wide or focused? And if focused according to what criteria – support the rich or the poles of development,? or continue in the principle of solidarity to try to balance the economic situation among richer and poorer countries?

This point is actually not just talk about countries, but about purposes, too. Because in many cases and indeed throughout the Cohesion Policy and the Lisbon Strategy it has been shown that it focused on too many goals and thus almost no goals were achieved. A few themes come from those discussions. The topics that I present are based on two sources - the first is the publication of Regions 2020 and the second is Barca's report. Some of these topics are

intertwined in both documents. I even heard the opinion that the topics could be two or three for the whole of Europe. Of course, this now raises the question, if there are less topics, who will choose them? The European Commission and then Member States will implement them? Or will there be a portfolio of topics and Member States can choose what they want? These are issues that are being discussed.

Another issue is the criterion for allocating resources? Several studies showed that gross domestic product is not the very best criterion. It is the Beyond GDP study and a similar study assigned by the French President Nicolas Sarkozy. If the criterion of gross domestic product is not used, it is probably not a very convenient situation for the countries of Central and Eastern Europe as the criterion of GDP plays into their hands as you saw on the map of intensity of support. If you include additional criteria such as access to health care, education, you would get a bit different image of the European Union. However, no consensus has been found that it should be something other than GDP per capita. So it remains GDP per capita, because it is easily measurable. Even though everybody says that it is not an ideal criterion and yet so far, it is the easiest criterion to measure that we have.

The actual effect of these funds is another point that was discussed. Some studies showed that member states joining the EU after 2004, meet the formal absorption capacity and are able to use up this funds. But what actually happened with the money? Some studies show that although the conditions were met, there is the question of what has changed in those countries. Accordingly, we tried to find some of those impact studies and we found that there were studies saying that the impact is not clear even in the EU15 countries. The debate has this argument on both sides. Even this is unlikely to affect the funds to be given to poorer regions or poles of development. However, this point has important implications mentioned in Barca's report.

The funding should be granted on the basis of a contract with the Member State and the payment should be linked to achieving the performance indicators. This is quite a revolutionary issue that the Member States are committed to some form of "commercial" contract. Thus, if the country fails to achieve the level of monitoring the indicator, the portion of the funds would be lower.

I have already mentioned the European-wide dimension. Later, I will show you a map confirming that according to some of those studies a European-wide dimension of the Cohesion Policy is expected. Another matter discussed is the re-nationalization of regional policy. In times of crisis, some Member States –

the main contributors – want to take part of those resources back to solve their own problems. Of course, those countries in the position of net recipients would not like it. I would like to go through Barca's report just briefly. It is a one-and-half-year-old-document that has been discussed a lot. But on the other hand, until the Cohesion Report comes out, it is a document which has provided important comments to the existing system of the Cohesion Policy. It has outlined a number of possible scenarios for the future of the Cohesion Policy.

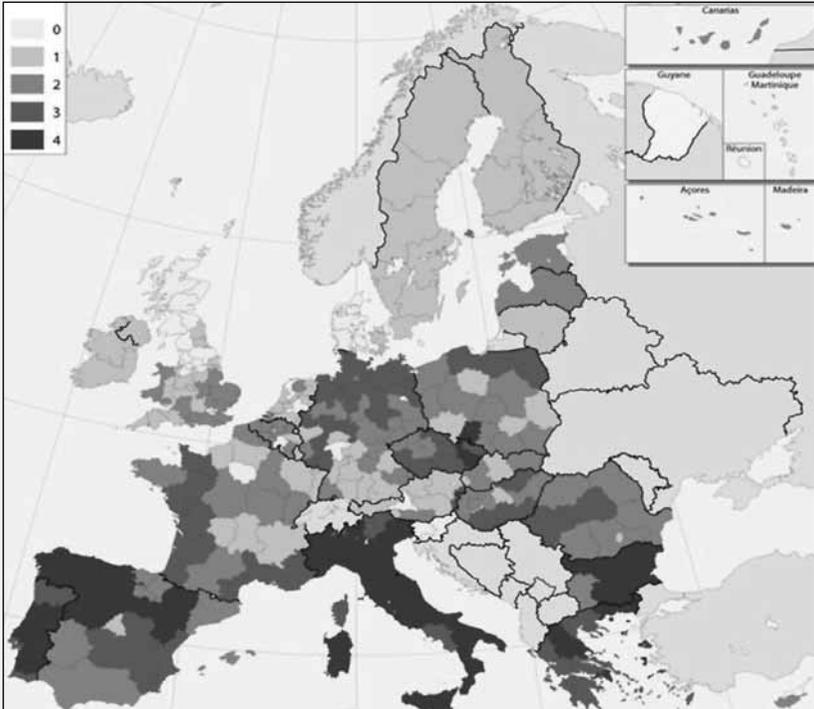
The recommendations from Barca's report are summarized in 10 points at the beginning of the report. The policy could be different due to concentrating on a few topics and performance indicators. In general, those other points relate to the running and implementation of the assistance. It is emphasized that the assistance should have some effects and it is used as effectively as possible. At a time when the economic crisis has weakened the public budgets this pressure is understandable. There is pressure to keep some of those effects, even with a smaller budget. The Barca's report is free to download from the website Inforegio.

This brings me to the second document, called Regions 2020, published before the Barca's report. This paper covers four topics throughout the European Union: energy policy, climate change, demographic change and globalization. Each topic was divided into more detailed sub-themes - such as the region's ability to withstand competition, the structure of the economy and unemployment, which can be found in globalization. I am not saying more about this. This document is also available for free on Inforegio. However, I used this map from it (map 2.2).

When you look at it, the whole of Europe is grey - there's more dark, in some places it is lighter. You can see that if the future of the Cohesion Policy were based on these four themes, there would be no advantage for the poorer regions compared to the richer. Because the rich usually have more environmental problems, more pollution and therefore the money would go on improving the environment. The document clearly indicates that the Cohesion Policy should be Europe-wide.

Another point is negotiation. There was a proposal to remove the European Social Fund from the Cohesion Policy in Spring 2010. It provoked a lot of criticism, because of weakening the Cohesion Policy. This might be related to long-term discussion within the European Commission. Some of the Directorate Generals consider the Cohesion Policy to be unnecessary once no region will be poorer than 75% of the average of the EU. The European

Map 2.2 Number of challenges (Regions 2020)



Source: *Regions 2020*

Regional Development Fund and European Social Fund (plus the Cohesion Fund) are the main sources. The Directorate General - Employment is very active in the field of the European Social Fund, so some tensions and discussions may be detected there.

I've already mentioned a number of conclusions. There is a pressure to make the future of the Cohesion Policy European-wide. Another pressure is – and now I get back to the social market economy - a discussion about whether to push for greater efficiency and increase competitiveness, at the poles of development the potential is more concentrated, or to focus on the question of convergence and support regions that are economically weaker. I did not mention one topic - the financial allocation, because I have not seen them up

to now. It appears that negotiations will not be easy and there will have to be a strong political consensus achieved. When you add questions such as the Common Agricultural Policy or the entry of Turkey into the European Union, it is evident that discussions and negotiations will not be very simple.

Moderator

I thank Mr. Potluka. So if you have any questions, please write them. There will be a discussion at the end of the block. Let's carry on with the programme. The next part was prepared by the Centre for International Economics, University of Leipzig, and I would like to ask Mrs. Cornelia Kunze to tell us something about the synergy of the European Union and Regional Economic Innovation Support in Saxony and its effects.

Synergy of EU and National Economic
Innovation Promotion in Saxony
and Its Impacts on SME

3

**Cornelie Kunze
Tatsiana Makarevich
Florian Woitek**

(University of Leipzig, Centre for International Economics)

Thank you very much for the opportunity to present our paper on the synergy of European and national economic innovation promotion in Saxony and its impacts on small and medium sized enterprises. At first I would give a short overview of the framework conditions of innovation policy in East Germany, then I will treat the European funded innovation promotion in Saxony and its impacts on SMEs, and finally present our results and conclusions. In the very beginning I have to spotlight that the SME definition in Germany differs from the European one. It additionally includes enterprises from 250 to 499 employees in the group of medium sized enterprises.

Innovation Policy for East Germany:

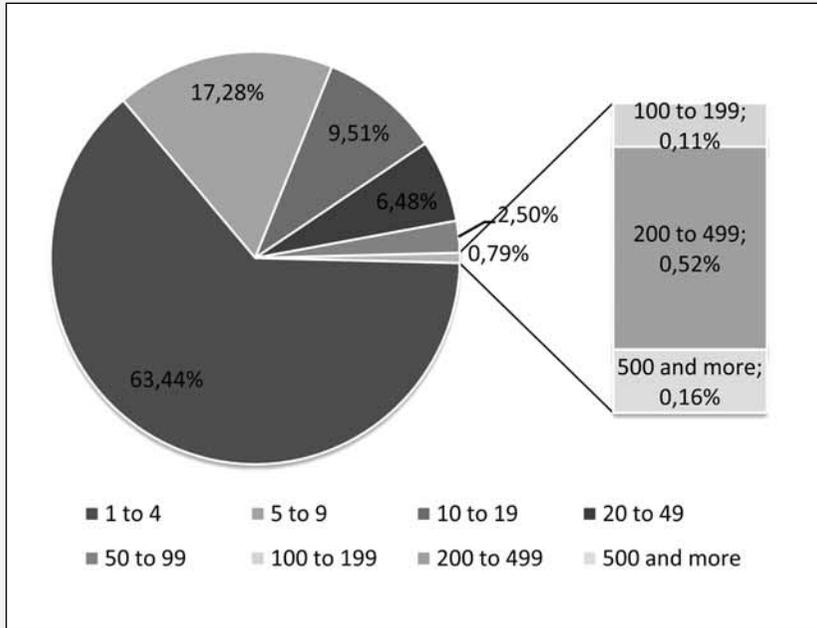
General Overview on Strategies and Programmes

Regarding the enterprise structure in East Germany, we can observe some particularities which are connected to the specific transition path of the country after 1989. The integration of the East German economy in the West German monetary system implied an implosion of costs for the enterprises. Consequently, a huge number of enterprises was competitively unviable and was closed by the privatization agency. The remaining large industrial units were subsequently sold, mostly to West German and international investors. Simultaneously a vast number of small enterprises were founded and privatization was completed by 1994. The East German economy had lost nearly two thirds of its former productive capacity and completely changed the character of its enterprise sector. The structure, which was largely determined by huge conglomerates until 1990, had moved to a new pattern. Only a few large scale enterprises existed, mostly owned by external investors, alongside a vast number of small enterprises and a smaller number of medium sized enterprises. Even today this pattern is still evident as the example of the Saxon economy shows in Graph 3.1.

In Saxony less than 1% of all enterprises have more than 100 employees and this structure is regarded as very unfavourable for the catching-up process and also for innovation activities.

The transition also affected the innovation system in a highly negative way. Former relations between research and industry were cut and the number of R&D employees in the East German economy dropped by half from '89 to '93. Both groups, privatized and newly founded enterprises, underwent dynamic modernization, a sensational modernization process in machinery

Graph 3.1 Enterprise sizes by employees* and number of employees in Saxony per June 30, 2007



* insurable employments.

Source: Bundesagentur für Arbeit, Betriebsdatendatei 2007

equipment and products, which was subsidized largely by the German government and to a smaller extent by European funds. Despite its low GDP, East Germany never benefited from the Cohesion Fund because the criterion, the national (i.e. the all German) GDP, was above 90%. However, as Objective 1-regions the East German Länder (regions) profited and profit largely from other Structural Funds. The next chart (Table 3.1) shows on the left side the national (public) R&D expenditure, in Saxony and in the other Bundesländer (regions), and on the very right side the support from the ERDF. You may notice that the amount of national R&D funding is much higher than the European one.

Table 3.1 State's R&D expenditure and amount of ERDF-R&D Funds by Länder

Länder	2007			
	million euro	share of state's GDP in %	per capita	ERDF- R&D Funds in million euro
Baden-Württemberg	1,132	0.32	105	0
Bayern	1,346	0.31	108	0
Berlin	541	0.64	158	25
Brandenburg	180	0.34	71	0
Mecklenburg- W. P	137	0.39	82	25
Saxony	526	0.57	125	119
Saxony-Anhalt	227	0.44	94	34
Thuringia	226	0.47	99	15
Germany/ average	8,037	0.33	98	218

Source: Destatis 2010, BMBF 2009, GWK 2009

Given the predominance of SMEs in Eastern Germany, more or less all programmes benefited the SME sector. Nevertheless, a number of innovation programmes were explicitly designated for SMEs. Actually we can state that the main problem in East Germany was not so much to promote an adequate number of SME, but how to secure a preferably efficient promotion in the SME sector. In doing so there are two challenges to be met: one is the rather low absorbability of SME and the other is the danger of the deadweight effect. Consequently, in Germany all programmes are evaluated and adjusted periodically to avoid abuse.

The next chart gives some examples to illustrate the innovation support of the Federal government at the national level, including subsidies for R&D personnel, programmes for regionally oriented promotion, like support for clusters, networking management and others. These are only a few examples, actually the German innovation support system is so complex that not only applicants, but also researchers can hardly gain a complete overview of it at a certain point, because programmes are adapted and changed very often.

Slide 3.1 Innovation Promotion for the East German Länder on National Level

1990: stabilising the downsizing R&D sector

- *R&D personnel programme (pay-roll costs)*
- *support programme for technology-oriented enterprise foundations*

mid-1990s: promotion of cooperation and regionally-oriented promotion

- *programme Innovative regional Growth Cores*
- *programme Centres for Innovation Competence*

from 2001: promotion of networking

programme Networkingmanagement (pay-roll costs for managers)

from 2007: cooperation between public research institutions and technology-intensive firms

- *programme for young R&D researches group*
- *programme for joint teams of technology-oriented and business oriented researchers*

EU funded Innovation Policy of Saxony and its Impacts on SMEs

Now I will get on to the Saxon Innovation policy and its impacts. Slide 3.1 gives an overview over the European funds' support for Saxony in the last and in the present financial period. Both, the operational programme of the ERDF and that of the ESF, give strong priority to innovation, which consequently covers a high share of the budget.

Slide 3.2 European Structural Funds' support for Saxony - focus on innovation

1999-2006 total budget: 4.8 billion euro

- ERDF: 3 billion euro
- ESF: 1.1 billion euro

2007-2013 total budget: 4.12 billion euro objective "Convergence"

- ERDF: 3.09 billion euro
- ESF: 1.1 billion euro

priority axes of ERDF Operational Programme focused on innovation:

1. "Strengthening innovation, science and research" (35%)
2. "Advancement of education facilities and infrastructure" (8%)
3. "Promotion of the competitiveness of the industrial economy" (19%)

priority axes of ESF Operational Programme focused on innovation:

1. priority axis "human capital transnational instruments" (42%)

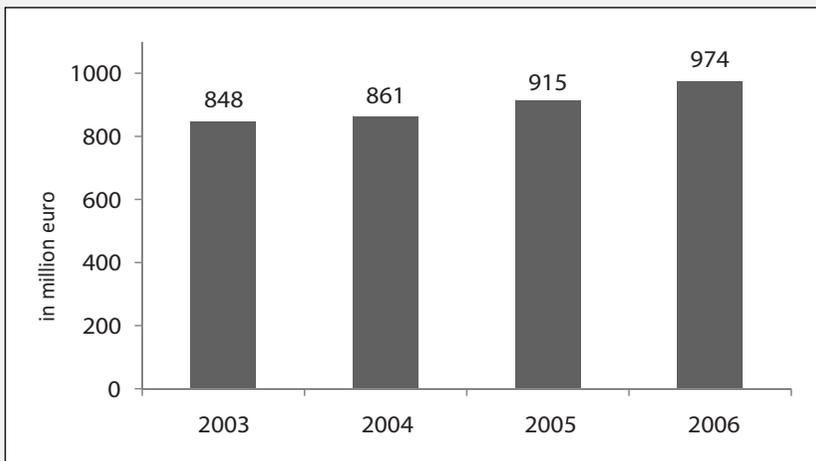
Source: European Commission, *Regional Policy, Development programmes*, available at:
http://ec.europa.eu/regional_policy

The current innovation programmes in Saxony are the following:

- **Individual R&D Projects** based on future-oriented technology fields and intended to develop new products and processes (ERDF/Saxon subsidies)
- **R&D Joint Projects** of several companies or companies and research facilities: SMEs can get subsidies up to 70% (ERDF/Saxon subsidies)
- **Innovation Assistants** for SME for SME up to 500 employees: 50% of payroll costs, eligibility criterion: innovation policy of the respective companies (ESF)
- **Promotion of Technology Transfer** for SME supports the transfer of new products or the innovation of the processes, from the technology provider to one or more technology receivers, primarily in the sector of future technologies (ERDF/Saxon subsidies).
- **Market Launch of Innovative Projects** for SMEs: financial support up to 50% of the eligible costs, max. 100,000 euro (ERDF/Saxon subsidies)

Most of them are funded or financed or co-financed by European funds. In these programmes Saxony implemented lessons learned from an earlier evaluation of European, Federal and Bundesländer programmes from about 2005. The programmes' design is made to meet innovative enterprises and innovative projects and to avoid deadweight effects as much as possible. So, for instan-

Graph 3.2 R&D expenditure in the economic sector in Saxony



Source: BMWF 2008

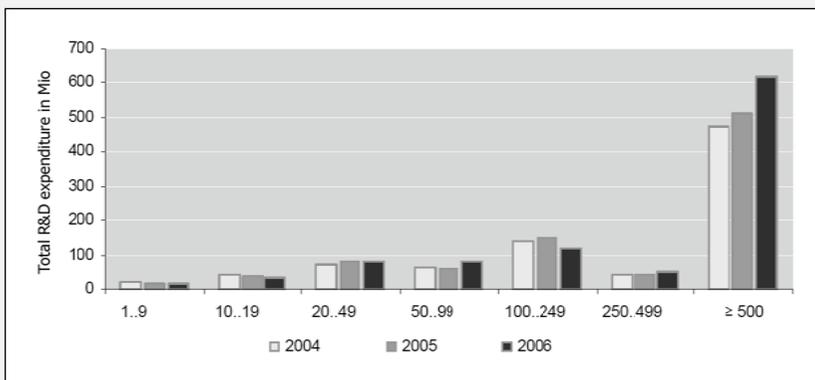
ce, individual projects now have to be based on future-oriented technology fields and intended to develop new products and processes. Another example is that innovation assistance is now configured decreasingly.

What was the impact of the innovation support in Saxon SMEs? Let us have a look at the main innovation indicators such as R&D expenditures, R&D employees and patent applications. R&D expenditure in the economic sector in Saxony in the period 2003 - 2006 rose steadily (Graph 3.2).

The share of the economic sector in the overall R&D expenditure grew as well and reached 1.34% in 2007. This was, however, far from the German average, which was 1.78% in the same year. In 2006 in Saxony, 33% of total R&D expenditure in the economic sector was spent by SMEs and 67% by large enterprises.

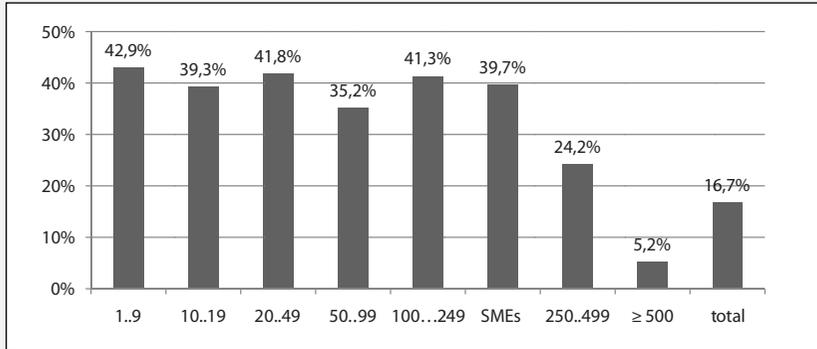
In Graph 3.3 you can see that during 2004-2006 the R&D expenditure of SMEs with continuous R&D activities remained static or was even shrinking, while that of larger enterprises expanded distinctly. R&D expenditure in large enterprises was not only much higher, but also grew much faster. So despite high SME promotion we have to presume a concentration process of R&D towards large enterprises. In 2006, about 950 R&D pursuing firms existed in Saxony and as much as 90% of these firms applied for public R&D support programmes, national or Saxon, and that is a very, very high share indeed. 40% of these firms made use of Saxon R&D support programs.

Graph 3.3 Total R&D expenditure of Saxon enterprises performing continuous R&D by size structure



Source: Konzack et al. 2007

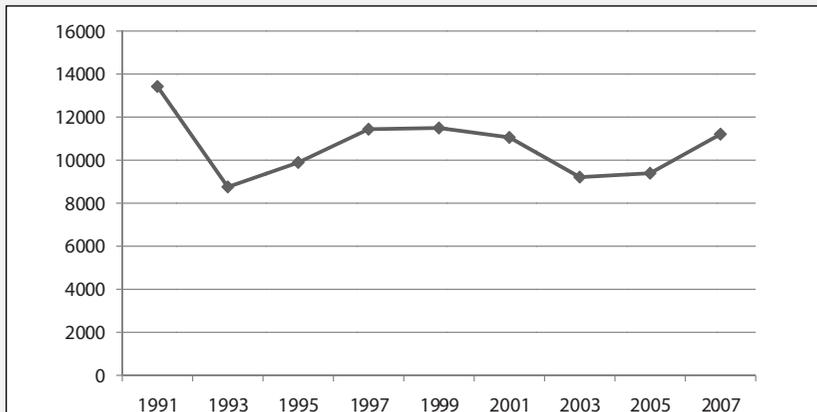
Graph 3.4 Share of R&D support in total R&D expenditure of supported enterprises with continuous R&D in Saxony by size structure in 2006



Source: Konzack et al. 2007

The focus of the Saxon R&D support was really on SMEs. Graph 3.4 proves that public funding in SMEs amounted to 39.7% of their total R&D expenditure, while in large enterprises it was just 5.2 percent. This concentration of innovation support on SMEs is in accordance with the fact that about 95% of the enterprises with continuous R&D activities in Saxony are SMEs.

Graph 3.5 R&D employees in the Saxon economy 1991-2007



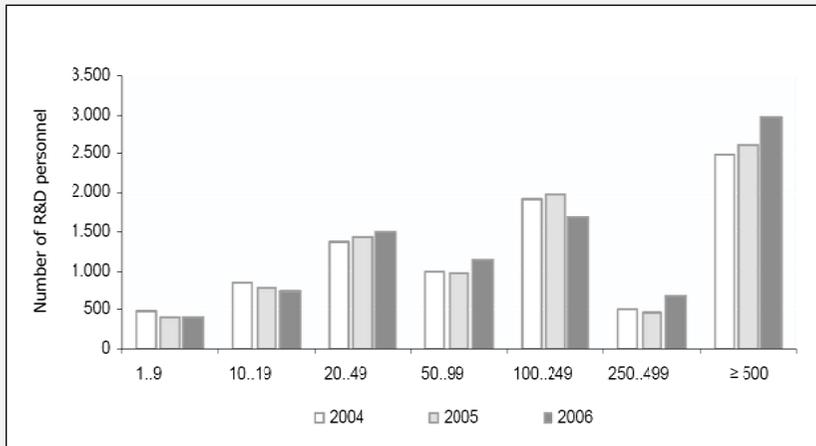
Source: Stifterverband 2010

Now I will get on to the R&D personnel. After the sharp decline at the beginning of the 90s the number of R&D employees in the Saxon economy grew steadily until 2007, with a slight recess in the years 2001-2003 (Graph 3.5).

Graph 3.6 proves that R&D personnel in enterprises performing continuous R&D activities followed the same pattern. However, since 2002 we can observe a concentration process characterized by a growing share of R&D personnel in larger enterprises. This might be induced by the termination of the federal programme subsidizing R&D personnel in 2003 but also by the general decline of the number of SMEs.

A distinct growth can be stated for the number of patent applications per inhabitant and also for the number of patent applications of the economic sector per employee during the decade from 1995 to 2005. In 2005, in Saxony there were 28.7 patent applications per 100000 inhabitants and in the economic sector there were 60.5 patent applications per 100 000 employees. However, Saxony remained far below the national level that is shown in the last column of Table 3.2.

Graph 3.6 Growth of R&D personnel in Saxon enterprises with continuous R&D activities by size structure



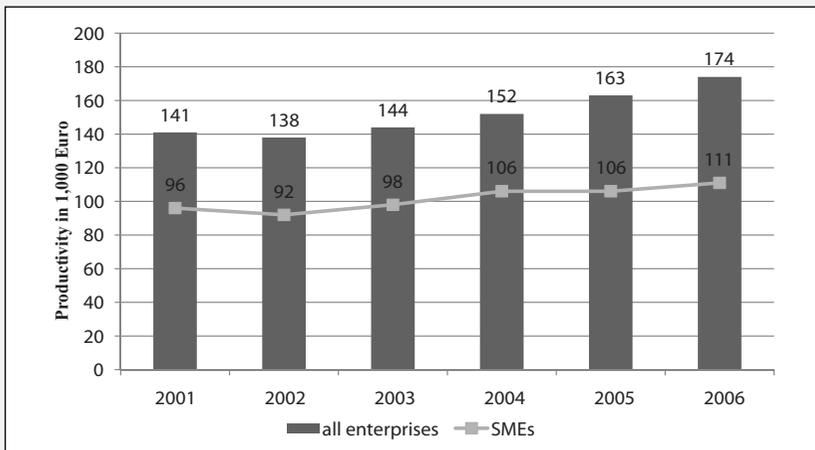
Source: Konzack et al. 2007

Table 3.2 Patent applications per 100,000 inhabitants and patent applications of the economic sector per 100,000 employees 1995-2005

Länder	all patent applications per 100,000 inhabitants			patent applications of the economic sector per 100,000 employees		
	1995	2000	2005	1995	2000	2005
Berlin	27.6	34.5	32.4	44.7	65.4	77.2
Brandenburg	8.0	15.9	16.8	11.8	25.0	35.7
Meckl.- W. P.	5.3	10.5	11.5	7.1	10.3	18.0
Saxony	16.7	22.7	28.7	25.9	37.3	60.4
Saxony -Anhalt	8.7	13.3	12.2	15.1	18.4	25.8
Thuringia	12.9	21.4	28.3	20.9	32.5	55.2
East Germany*	10.2	16.7	19.5	16.2	24.7	39.0
Germany	36.4	49.2	54.1	77.4	111.3	139.1

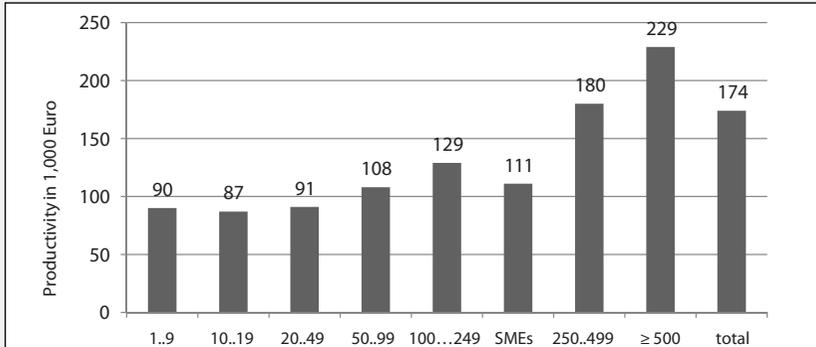
* Without Berlin because separation of data for East and West Berlin is not possible.
Source: Patentatlas Deutschland, 2006.

Graph 3.7 Productivity in enterprises with continuous R&D activities in Saxony 2001-2006



Source: Konzack et al. 2007

Graph 3.8 Productivity in enterprises with continuous R&D activities in Saxony
2006 by size groups



Source: Konzack et al. 2007

The productivity of Saxon enterprises with continuous R&D activities, as measured by turnover per employee, has grown steadily since 2002 (Graph 3.7).

However, in SMEs the productivity remained clearly under that of larger firms as can be seen in Graph 3.8.

Results and Conclusion

Despite the rather high innovation support over a long period and remarkable progress, we have to state that there is still lower innovation success and private research in Saxony and the other Eastern Lander plays a lesser role compared to West Germany. One reason for this fact was assessed in the lack of large scale enterprises and the large extent of external control through international or West German owners in the East German economy. Generally, large enterprises not only contribute most to R&D expenditures in a national economy, but they act as anchors for innovation networks and research cooperation projects in which SMEs participate. Thus, East German firms currently lack suitable industrial cooperation partners that provide them access to these networks. All the more so because the small number of existing enterprises mostly controlled by external investors nearly completely abstains from doing research and so they can't act as cooperation partners. It is easy to imagine that other transition countries may have similar problems and it is obvious that this important structural disadvantage will be difficult to change.

Concerning the evaluation of the Saxon R&D programmes, analyses show that the administrative efficiency was satisfying. The processing time for applications for financial support was between eleven and eighteen weeks. Another result was that despite the high priority of networking programs, no empirical evidence of the supported enterprises improving performance could be found. The evaluations showed that deadweight effects might exist. However, proposed actions to reduce these effects, mainly to raise the enterprises' share in supported innovation projects, were regarded as unrewarding, because of the weak financial situation of the Saxon enterprises.

The evaluation showed high acceptance of the present innovation support system by its recipients. Highly appreciated was the fact that the Saxon Development Bank (SAB), which is responsible for the programmes, precedes an internal technical evaluation of R&D projects so that the applicant does not have to fear uncontrolled proliferation of their knowledge advantage. This fact was regarded as a substantial advantage of the Saxon support system compared to the federal and EU programmes.

Our conclusion: due to the complementarity of local Lander and federal innovation support for SMEs the exclusive impact of structural fund efforts in Saxony is hard to assess, but there is no doubt of the positive impact of Structural Fund support on SMEs innovation during the last two decades. Saxon SMEs, despite their weakness and unfavourable size structure, achieved constant innovation progress during this period, a result which would not have been possible without support from Structural Funds. So the three lines of support, that is funding of individual R&D projects in future oriented technology fields, the support scheme for R&D cooperation and the funding of innovation assistance have been successful and should be continued. Thank you.

Moderator

"Thank you very much, Mrs. Kunze. I particularly liked the ending, it is extremely positive. So, despite the problems to the west of Prague, it is positive in the end. And this is good. Let's move to the last point of the morning programme. From Saxony directly to Slovakia. Those expecting to hear the Slovak language will be disappointed, because Mr. Kostal has decided that when abroad, he should speak English. It's all yours, Mr. Kostal.

Structural Funds, NGOs
and the Partnership Principle
in Slovakia in 2004-06

4

Ctibor Košťál

(Slovak Governance Institute)

Good morning everyone, yes, it feels a little strange to speak English in Prague, but as I work on this research in English, so I think it is easier for me and also for our colleagues from Poland, Germany and Hungary so that they can understand easier. So just a very brief introduction, I am an executive director of the Slovak Governance Institute, we are based in Bratislava and we focus on public policy issues. I deal with the issues of transparency and also the transparency of structural funds. I also did some papers on migration and social inclusion and so we are dealing with various topics. But on the topic of today's presentation, I do research on the influence of structural funds on the NGOs in Slovakia from 2004-2006 and also on the partnership principle during this period, which is kind of enforced by the EU as a part of structural funds. So, I will just give you a short overview or background on the NGOs in Slovakia.

There was kind of boom in the late 90s and early 2000s for the NGOs in Slovakia, there were many reasons. I will talk about them in a while. As you can see, the number rose from 96 to 2002 and these were mostly various types of associations, environmental organisations, charities, civil rights, but also associations of property owners, so the number was increasing.

Table 4.1 Number of NGOs in Slovakia

Year	1996	2002
Total	14 194	26 770

Source: *International Qualification of non-profit organizations, in: Filadelfiova, Dluha, Kosciarova (2004)*

The main reasons for such a strong third sector in Slovakia are as follows: firstly there is the period of 94-98, which was a very tough time for Slovakia because of Mečiar's third government, there was quite a lack of democracy, strong divisions between state and civil society on this issue, abuse of power, abuse of the secret service and abuse of the media, so there was a strong need for change and this kind of stimulated the civil movement and the election of 1998 was a kind of breakthrough election and was a big win for the third sector. In 1998, Dzurinda's first government came to power from 1998 to 2002, many efforts of NGOs focused on democratization issues, for example the Freedom of Information Act was passed, also many media laws were also adopted and introduced. Dzurinda's second government, 2002 – 2006, was a very pro-reform government, so actually this lead to a brain-drain from

the NGOs, many people from think tanks left and joined the civil services and worked on the government reforms, so this also weakened the capacities of NGOs at the time.

Now, moving to NGO financing in Slovakia, I think it is very similar to the Czech Republic and, I guess, also to Hungary. There are many types of possible fundraising, but most of them are donations from various foundations. After 1998 many strong, especially American donors, were kind of moving to the East, so were leaving the country, private corporations were not ready to replace the position of these big donors and there were still some international donors like OSI, which are still present in Slovakia, but they are not actually giving those large amounts of money any more. At the time there was another source of financing for NGOs, that being delivering services for the state, for example social services, and they could also generate some income from their own activities like consulting, trainings etc. A very important source of income for the NGOs was the tax assignation of 2%, which I think is also known in Hungary, I don't know about the Czech Republic, so individuals and corporate entities can use 2% of their taxes to support an NGO, which they like. Then we have another two types of financing, before 2004 it was pre-accession funds and afterwards it was the structural funds. When we look at the table, you can see that the structure of income does not vary much between 1996 and 2003. Of course, it has changed in 2004 because of the structural funds.

Table 4.2 Non-Profit Organizations - Structure of income

Year	Public Sector	Donations	Revenue from own activities
1996	21.3%	23.3%	54.9%
2003	19.9%	18.0%	62.1%

Source: Ctibor Košťál, Slovak Governance Institute - Structural Funds, NGOs and Partnership Principle in Slovakia in 2004-2006

The next table shows the revenue from the 2% tax assignation and you can see that from 2004, when there was a tax reform, corporate entities could also donate this money to NGOs, so there was quite an increase in the amounts. The numbers are actually in thousands of crowns so the last number is 930 million.

Table 4.3 NGOs Revenue from 2% Tax Assignment (in thousands of SKK)

Assignee/Year	2002	2003	2004	2005	2006
Individual	101 882	97 070	275 917	298 999	312 439
Corporate	-	-	569 256	579 393	618 439
Total	101 882	97 070	845 173	878 392	930 878

Source: Slovak National Tax Office

As the 2% tax assignment plays a very important role in the financing of NGOs, there are some pros and cons to this NGO financing tool. Actually, it is usually the small and medium NGOs which profit from the 2% assignments, because the amounts are not big enough to support a big NGO, for example like the Slovak Governance Institute, so usually small and medium sized NGOs at the local and regional level, some small civic associations or interest groups at the local level can take this as a very important part of their financing. Thus, it increased participation due to this money being available for smaller NGOs. People started participating at the local level and it also helped some NGOs to diversify their resources. The cons, or the negatives, are: it is a very limited tool, the amount is very limited and there are too many players who would like to get a bite of this amount and it doesn't cover all types of NGOs because people and also corporations are very conservative, so they support charities, they support disabled people, people with cancer, so these kinds of activities, which are not focused on innovative activities or some issues like gender issues or migration. And a problem with the 2% assignment is that it creates the impression that it is sufficient, so the state doesn't have the need to introduce any other tools and usually comments on every effort from the NGO sector with: you have 2% so be happy with that.

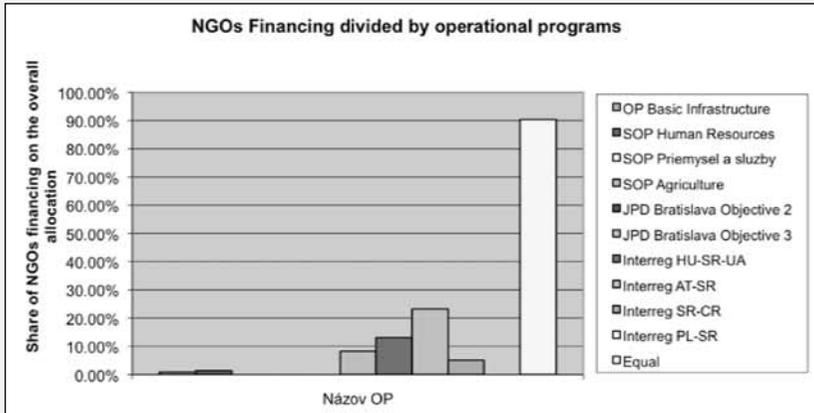
Now moving to the pre-accession funds and structural funds, I use the example of FARE because that is one of the most significant and well known projects or programmes. One of the objectives of FARE was to build capacities and prepare NGOs for 2004-2006, for the structural funds, but in Slovakia it actually led to... The scope of influence was too narrow, access to information was very exclusive, so it meant you had to have very good contacts and the information campaigns were not that good so it led to smaller NGOs being excluded from the process. There was an information gap which I mentioned and from what I experienced and what I researched, there was also a lack of transparency in this process.

Now, moving to the first financial period 2004-2006, again, pros and cons: the positive thing was that there were big expectations from having this large amount of money coming to Slovakia and to support NGOs. It also opened possibilities for new areas of interest, so NGOs could work on new ideas and move their missions to different fields. But the negatives were that they had limited capacity, they were overburdened with administrative tasks and it also created financial instability for the NGO sector, which I will talk about it in a while. So the positives, the pros, it was viewed as a new possibility, so when the big donors left Slovakia in early 2000, people in NGOs were worried about what kind of funding will be used for their activities and the structural funds were there to stimulate their activities, but, as I also said, they opened their activities to new objectives, but I would just move to the negatives, because they are much more interesting for us.

So the first negative was that there were very strict rules and NGOs were not used to this kind of dealing with papers, accounting and not getting the money on time etc. This created huge pressure on their capacities. Firstly, a great amount of tasks was focused on the management and administration of projects and not on the content and also on accounting and project management, so it meant that many people who were experts in some fields came back to deal more with the paperwork than with the real activities in the field. So, moving on to financial instability, 5% co-financing was required by every NGO and because of the delays of payments from the managing authorities it created a big problem in their cash flow and it also created debts, so many NGOs were either closed down or had to take loans and this was not very good for their financial record. They also used their financial reserves. Another problem is that it made these NGOs dependent on financing from structural funds, which is not good, because they didn't diversify their resources. And as I said before, the state and also NGOs gave up on some efforts to introduce new tools, or actually think about what they will do after the structural funds will leave the country or will not be supporting NGOs. This was kind of another negative thing. Now we look at the operational programmes in Slovakia in 2004-2006. (Graph 4.1)

You can see that the largest amount of money was flowing to the EQUAL programme, which was under European Social Fund and other operational programmes were not doing that well, except for INTERREG, i.e. interregional operational programmes with Hungary, Ukraine, Austria and Czech Republic. And Objective 3, the Bratislava region, because most of the NGOs with the

Graph 4.1 NGOs Financing divided by EU SF 2004-06 in Slovakia

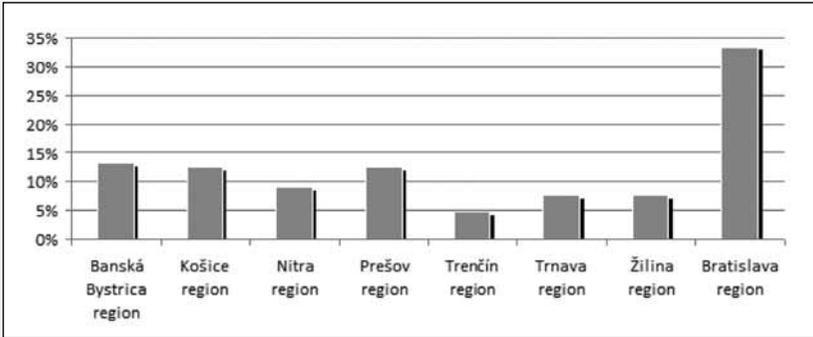


Source: Ctibor Košťál, Slovak Governance Institute - Structural Funds, NGOs and Partnership Principle in Slovakia in 2004-2006

capacity to write projects and to implement them are located in the capital city. Now, looking at the regional support, again you can see the right bar – the capital city or Bratislava region, which was and still is actually under a different objective. It is Objective 2 at the moment and used to be Objective 3 in 2004-2006, so you can see that this illustrates the capacity of NGOs in Bratislava to fundraise through structural funds. (Graph 4.2)

Now, moving to the partnership principle, this was a new phenomena for Slovak NGOs and also for the public sector. It was enforced by EU legislation. It was enforced in 2004 regulations and also for the period of 2007-2012 it was given strength, so it was something that couldn't be ignored. State and ministries have to deal with this issue. It started with the FARE projects, it was a precondition for financing to have some partners, but actually it created a fake partnership, or partnerships, as you maybe know from your work, so many projects ended and the partnership was just on paper. Also, the partnership principle was strongly experienced in the 2004- 2006 cycle with the programming of this period and the monitoring of the first three years and then in the programming of the 2007-2013. This partnership principle was very strongly demanded mostly by the environmental NGOs, which were very strong, they created a civic team for monitoring EU funds and this team started to negotiate with the Ministry of Justice and they initiated anti-cor-

Graph 4.2 NGO projects supported by EU SF 2004-06 – Regional support



Source: Ľibor Košťál, Slovak Governance Institute - Structural Funds, NGOs and Partnership Principle in Slovakia in 2004-2006

ruption legislation, which introduced, for example, the conflict of interest in the specific area of structural funds. This was passed in the government and the parliament and it was actually used and implemented. Now, moving to the negotiation or programming of 2007-2013. In 2005, this block of NGOs or group of NGOs decided to boycott the negotiations, mainly because they felt their views and their arguments were not being taken seriously in the process. So they came back in 2006 with some kind of changes being accepted from the ministries and this was a very important point of their negotiation. I would call it game, because this way they could force some support or some ideas to the new programming period.

I will just use one case study at the end. When I worked for the Ministry of Labour and Social Affairs, I was responsible for preparing the operational programme Employment and Social Inclusion. That is one of the ESF programmes in Slovakia, it is one of the bigger ones and it includes labour market policies and also social inclusion policies, so it is an ESF programme. And we started to prepare this programme in 2005 and these activities were also focused on the capacity building of NGOs. And we designed this whole activity together with NGOs and NGOs participated in designing the draft text and we introduced various types of capacity building activities like workshops, trainings, internships, scholarships for NGO people, networking with NGOs from other countries, working or building capacity in financial management and administration capacities. And I think that NGOs were quite satisfied

with this kind of partnership, where they could not just comment on the existent or drafted version of the operational programme but they could also give their input to the draft version and be part of the team, which worked on this. But in the summer of 2006, there was a change of government, actually in the last phase of the programming process, because in summer 2006 the European Commission was approving the whole operational programme and with the new government all the abovementioned activities were left out or the scope of these activities was changed, so the NGOs were left out of the capacity building in the new period. And the one very important principle of the partnership principle is also the involvement of NGOs in monitoring committees. These were created, I would put this in inverted commas, as in the partnership principle, the vast majority of those present in these monitoring committees are state officials, so there is no real power to enforce managing authorities to make some changes or to propose some, for example anti-corruption measures. So many of these things are very formal and it needs, from my experience or from what I learned, it needs a high degree of personal engagement by the person who sits on the monitoring committee and represents the NGOs, to be very strong in pushing through the questions and comments and when they ask for explanations and so on. The thing that happened in Slovakia in 2006 is that the partnership principle in monitoring committees was kind of bypassed through the so-called friendly NGOs, so many NGOs were just created to be part of the monitoring committees and were very close to the government, so the government did not have to deal with the NGO sector any more or play their game. OK, thank you for your attention and I am open to your questions.

Discussion

5

Moderator: *"Thanks a lot Mr. Kostal. And now it comes to what we have all been waiting for for a long time - it is time for questions.*

Question No. 1

Good morning, I have a question for Mr. Kostal. You were talking about the negatives of the Structural Funds for NGOs. What is the biggest obstacle to implementation, one that makes funds unavailable to NGOs? Thank you."

Mr. Kostal: "Ok, as I mentioned, a set of negatives in regards to structural funds, but I think in Slovakia it is certainly the administrative burden, which is put on the NGOs. But this is not something that is designed in Brussels, it is something that is designed in Slovakia, so I don't know how it is in the Czech Republic or Hungary or Poland or Germany. But this is something that NGOs complaining about a great deal, that they need to deal with too many papers and with rules that are changing all the time. This is something that really influences their possibility to have the cash flowing, because if they have some mistakes in the papers then they cannot get their payments and they have to use their reserves for paying the people who did the trainings or field activities.

Question No. 2

Mr. Mejstrik, Department of City Development, Good morning. First, a note about what Mr. Potluka said. Certainly, we agree that the GDP in the regional issue is probably not the best indicator. But we can agree that we do not have better or even another. To what he said when he talked about the support and the main cities as poles of development. He alluded to Warsaw, that it might not be right. I just wanted to say that when we did the analysis in our department, I compared the GDP by NUTS 2 and 3. It showed that Prague as NUTS 2 is pretty good at it - is actually the fifth best in the European Union. But when Prague is considered as NUTS 3, it is a little worse, it falls fiftieth. But again, there are more NUTS 3 than NUTS 2 regions. And more than half of the first 50 NUTS 3 are German. As for Warsaw, since it is defined only as the capital city and, with the well-known dynamics of Poland in recent years, it is actually very close to Prague. So, Bratislava, which benefits from the fact that, unlike other large cities, it has a very strong economic background, even at the NUTS 3 level. Bratislava is comparable to Prague and is very close to Prague due to its dynamic. This was just a note. I would like to

ask Mrs. Kunze. The chart stated that employment in large firms in Saxony is less than one percent of total employment in firms over 100 employees, if I understood this. I did not understand well, if they are only innovative companies, or if it's the total employment of Saxony or if it is the number of businesses. The question is whether big companies in Saxony, over a hundred employees, really make up just less than one percent of total employment in Saxony. Thank you.

Mrs. Kunze: No, it is not the employment rate, but the number of enterprises, which have more than 500 employees is less than 1%.

Question No. 3

I have two questions for my two colleagues, one for everyone. The first one is for Mrs. Kunze. When you stated the number of patents in the regions, Saxony did quite well. A question came to my mind – what is the reason? Due to the internal structure of the economy? Or because of the proximity of the Czech Republic? What is the reason?

Mrs. Kunze: Like the Czech Republic, Saxony is an old industrialized region and there is a lot of human capital, more than in the other Bundesländer. The share of enterprises existing now is bigger than in other Bundesländer and also the human capital is better, we have more universities and high schools, also in technical fields and I think this will be the cause for this situation.

Question No. 4

My second question – my colleague Kostal showed co-financing, 5% project financing for NGOs and also the structure of financial resources of these organizations. Nothing has to be co-financed in the Czech Republic, but according to various surveys 60-80% comes from public funds, state budget and/or structural funds. You mentioned that NGOs almost fight against the government, in the Czech Republic they seem to become financially dependent on government. What do you think, what is better? My personal opinion is to introduce co-financing for Czech NGOs, too, to get rid of this addiction. But it may be a topic for further discussion.

Mr. Kostal: I agree with what you actually said, that it creates a dependency on the state and I said that is something that is not very good and it also cre-

ates dependency on structural funds. It also doesn't open the possibilities for other funding from other sources because they just focus on one source of funding. From my experience I think that the co-financing is very important, even in other operational programmes with other financial beneficiaries, so I would even think about increasing this number to 10 or 15%..."NO RECORD"...demand side for the funding and it also creates a great deal of pressure on corruption. Maybe for NGOs I would introduce a higher percentage of co-financing, together with this new tool for co-financing, which would be based on demand and also it would be project based.

Question No 5

Hello, I am Kucera from the Ministry of Labour and Social Affairs, Czech Republic. I would like to ask Mr. Kostal. Up to what rate is the realization of projects in partnership now supported – either granted or larger individual projects – in the current operational programme of the European Social Fund? It does not matter whether it is only NGOs. Generally, up to what rate is this principle supported by the realization of projects? Are there any conditions set in the project selection process like benefit for implementation of partnership? Or is it more supported in certain areas of this operational programme? Thank you.

Mr. Kostal: Actually most of the funding from ESF or from the operational programme Employment and Social Inclusion is implemented through a national project, or projects of national importance, I don't know the word in Czech, but it is národné projekty (National projects) in Slovak. It means these are implemented by the state, by the ministries, or by the Central Office of Labour. The biggest amount of financing goes through the public sector. And in regard to your question of partnership. No, I am not aware of any strong recommendations for partnerships in the projects. I was not focusing on this, but from what I know from the other activities or analyses there is no strong precondition for forming a partnership at the level of, let's say, municipalities with NGOs, or the public sector with municipalities.

Question No. 6

My name is Daniel Kuttor, I am from Hungary, from the University of Miskolc. I would like to reflect Oto Potluka's presentation, because I am dealing with this question, this dilemma, whether there is solidarity or competi-

on ahead and in my opinion I think we can answer this question if we analyze Europe not only inside, but outside, in a global context. We should analyze the region's performance at the global level, because I am afraid that the amount which is generated in Western Europe, which will be redistributed in Europe is highly dependent on global competition. That is why it is a good idea, it was written in both Barca's report and Regions 2020, that we should concentrate more on what happens globally, what caused the Chinese growth, in Europe what kind of effects will be generated as a consequence of the emerging economies. It is true that the Central European countries, especially Slovakia, Hungary and the Czech Republic are really vulnerable. We are export oriented and we depend on amounts of export, probably Poland is not, because of its size, but we should analyze this question. It is a good idea to follow this logic.

Mr. Potluka: I want to add one more point. We have discussed this issue in IREAS. The debate was about if those funds should be used for the protection of cultural monuments, landscapes, castles, and thus make the Czech Republic, a sort of museum, which would be nice, but the question is if it would move the Czech Republic somewhere. Or if it should just focus on those elements that help in global competition. We prefer the second possibility, because global competition would probably generate funds to help castles and palaces. "

Question No. 7

I'd like to ask Mrs. Kunze. If subjects in Germany receive money from the structural funds and public resources in research and development and that performance is measured by the number of patents registered, doesn't it push them to concentrate more on the quantity rather than the quality of those patents? Is there any feedback on the applicability of those patents?

Mrs. Kunze: That is a good question. At the moment it is difficult to answer. The evaluations showed that the amounts of public support in innovation in the different enterprise sorts is not... I have no real answer to that, sorry.

Mr. Potluka: I would like to add something. People from the European Commission, DG Regio evaluation unit, mentioned that a certain study on research and development in East Germany had recently been completed.

Maybe the answer will be there. But I remember from the study that there were a sample of hundreds of thousands of businesses, but in the end, when they discovered the missing data, they got to a relatively small sample of businesses, which was used for the survey. Down to your question... I can divide it into two parts. One part is information about the companies that receive support. You can get this information. But to get information whether the patent was commercially used or how intensively is tougher. I think that those companies do not want to share this information, so I totally understand that the answer to this question is difficult. There was a similar problem in EQUAL. A methodology was developed from structural funds, but the subjects did not want it and when that project ended, it was difficult to continue to work with them.

Mrs. Kunze: One method to measure the quality of innovation impacts is to measure whether the product sold by the supported enterprises grew faster than the product sold by the enterprises that were not supported. But the problem is that in Saxony 90% of all enterprises are supported, the remaining 10% are often enterprises that are too weak to even master the proposal. Hence it is difficult to say anything, you understand...

Moderator

So if you have no other questions, this morning block ends.

We can start with the second part of today's programme and the first is Mr. Dániel Kuttor from the University of Miskolc with an analysis of the Action Plan 2007-2008 of the Operational Programme of Northern Hungary.

Lessons Learnt from the Action Plan
2007-2008 of the North Hungary
Operational Programme

6

Dániel Kuttor

(University of Miskolc,
Institute of World and Regional Economics)

I greet all of you warmly. As already stated, my name is Dániel Kuttor from the University of Miskolc from the Institute of Regional and World Economics. Currently we are dealing with the evaluation of the north Hungarian operational programme. What will be presented is the first step, the first action plan, which will last from 2007-2008. But we are also working on a larger project trying to evaluate the whole operational programme and the first half of it. Now I would like to present some lessons or some challenges what we learned or faced. And you can see the outline of my presentations. This period is not a happy period for Hungary, we joined the EU in 2004, but we have not benefited from this status like Slovakia, for example looking at GDP growth, or the Czech Republic, or Poland, so more question marks, more critics appeared on the horizon. I suppose that you are familiar with Hungary, with Northern Hungary, that is why only a short introduction of my region and some words about the Operational Programme of North Hungary and maybe something more interesting about the dilemma, the same dilemma that was introduced by Oto, the same dilemma at the regional level. So, more money on cohesion or more money on efficiency or competition? Some data on the evaluation of the action plan and of course recommendations. So here is our region, it comprises of three counties. The centre is Miskolc, you can see the population and economic data.

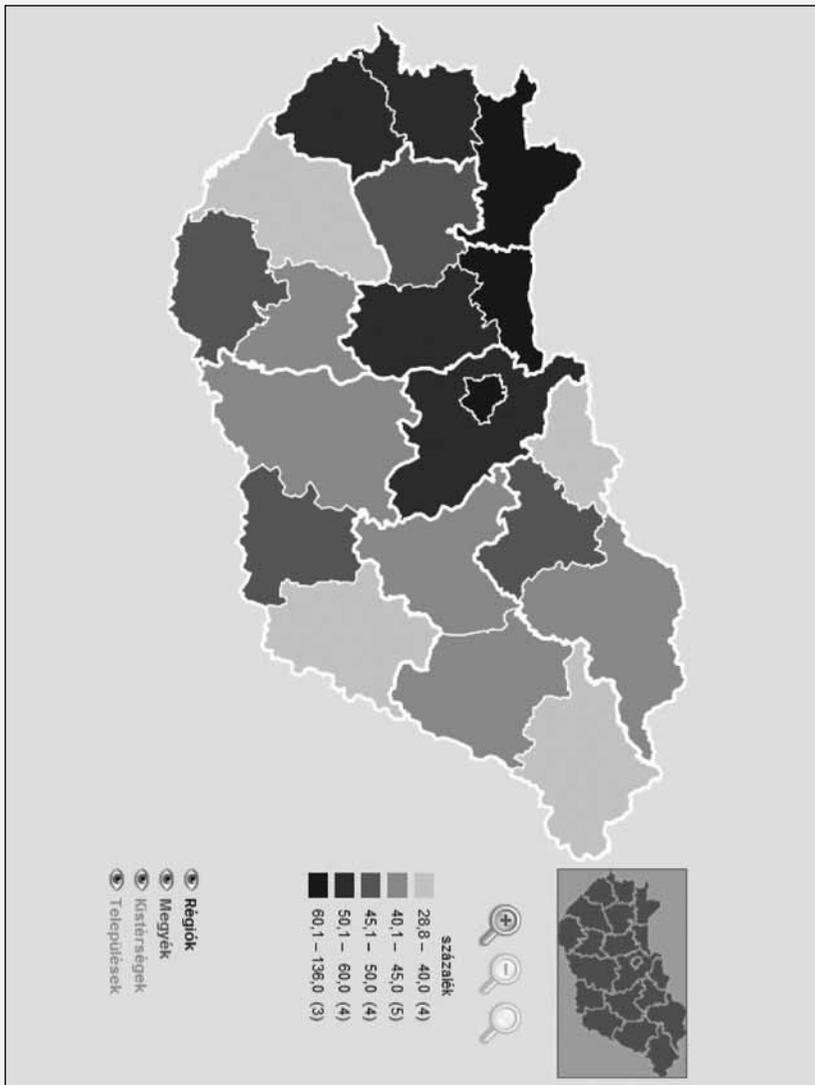
Table 6.1 General indicators of North Hungary (by counties)

Name of countries	Surface (km ² , 2009)	Population (person, 2009)	GDP (2007)		GDP per capita (2007)	
			Billion HUF	%	Thousand HUF	EU27 =100%
Borsod-Abaúj-Zemplén	7 250	701 160	1 186.9	4.7	1 662	41.1
Heves	3 637	314 441	581.7	2.3	1 828	45.3
Nógrád	2 546	207 637	245.9	1.0	1 162	28.8
North Hungary	13 433	1 223 238	2 014.5	8.0	1619	40.1
Hungary	93 027	10 030 975	25 408.1	100.0	2 527	62.5

Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

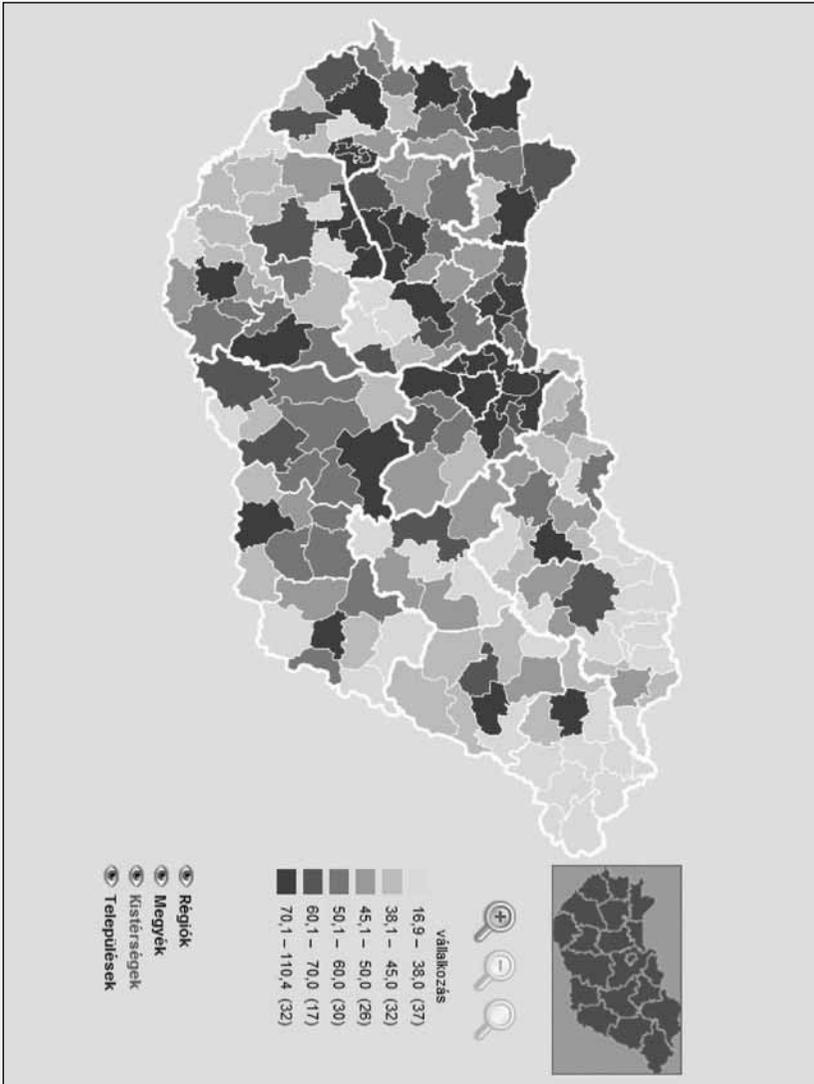
If you compare this data, you can see that the share of the region in terms of GDP is less than the population, so we can say that this is a really underdeve-

Map 6.1 GDP per capita in Hungary, 2008 (EU27=100%)



Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

Map 6.2 Number of active companies per 1 000 inhabitants, 2007



Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

loped region at the national level, and at the EU level as well. You can see the data comparing the EU average, we are standing around 40% and we are really standing, not moving, not converging, just standing. Bad news. (Map 6.1)

A mosaic for Hungary, you can see the GDP per capita and I would like to point out that Hungary's breakdown comprises of three parts: one is Budapest, the centre, the capital, accelerating rapidly of course. You can see the darker regions in western Northern Hungary, which can be considered the winners of the transition and you can see the rest of the country with light grey can be considered as losers of the transition and Northern Hungary is one of the losers in the transition. (Map 6.2)

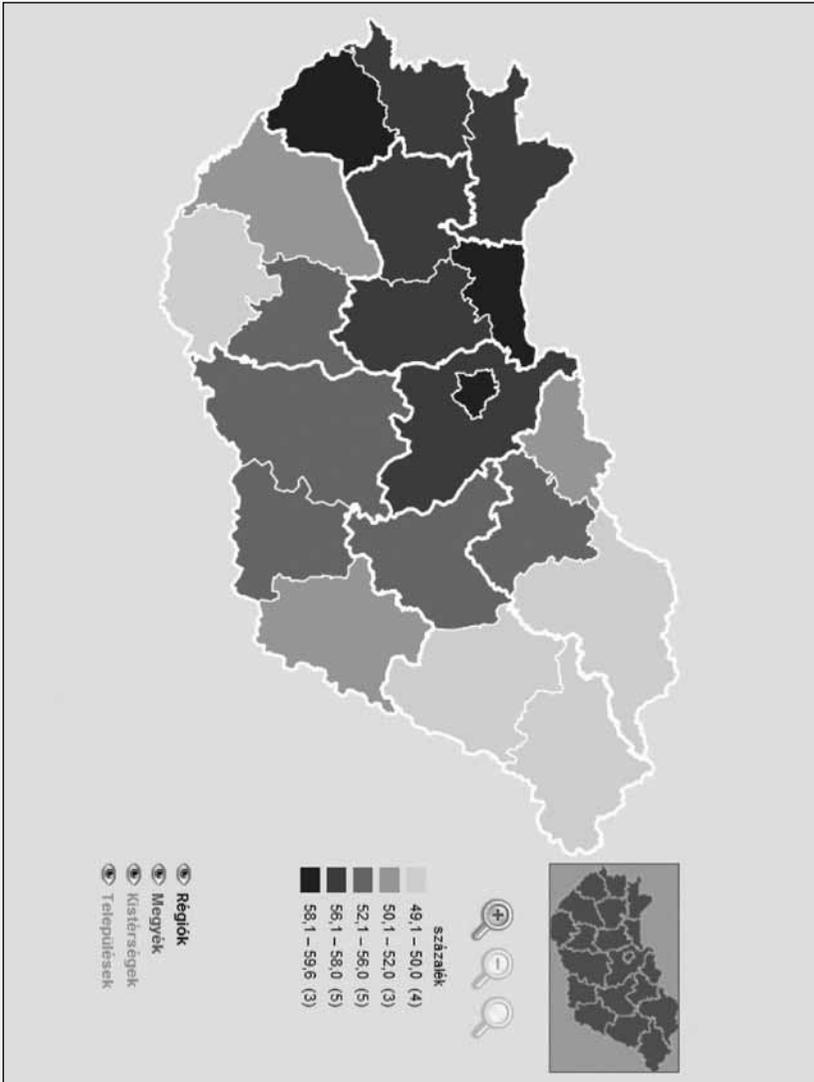
I will try to explain this due to economic activity. This is a thematic map using micro regions and again at the top of the thematic map you can see the Northern Hungarian region with far lesser level or little level of activity, so it is a crucial thing how we can rise this level of activity in Northern Hungary. Just a few exceptions: you can see with darker colour the centres, the larger cities: like Miskolc, Eger or Salgatorjan. These are the main centres; the rest is more or less like a desert, so there is no real economic activity coming from these regions. (Map 6.3)

Converted to the labour market, it can be seen that the level of activity is far less than the EU average, so a great problem and again one of the top challenges to raise or foster this activity. (Map 6.4)

As I promised, here is the last map reflecting the income per capita, again the darker regions have a more favourable condition and light grey indicates the peripheries or the poorer settlements. Along the border in Northern Hungary these cities have a small level of income, thus raising the dilemma of cohesion versus competition.

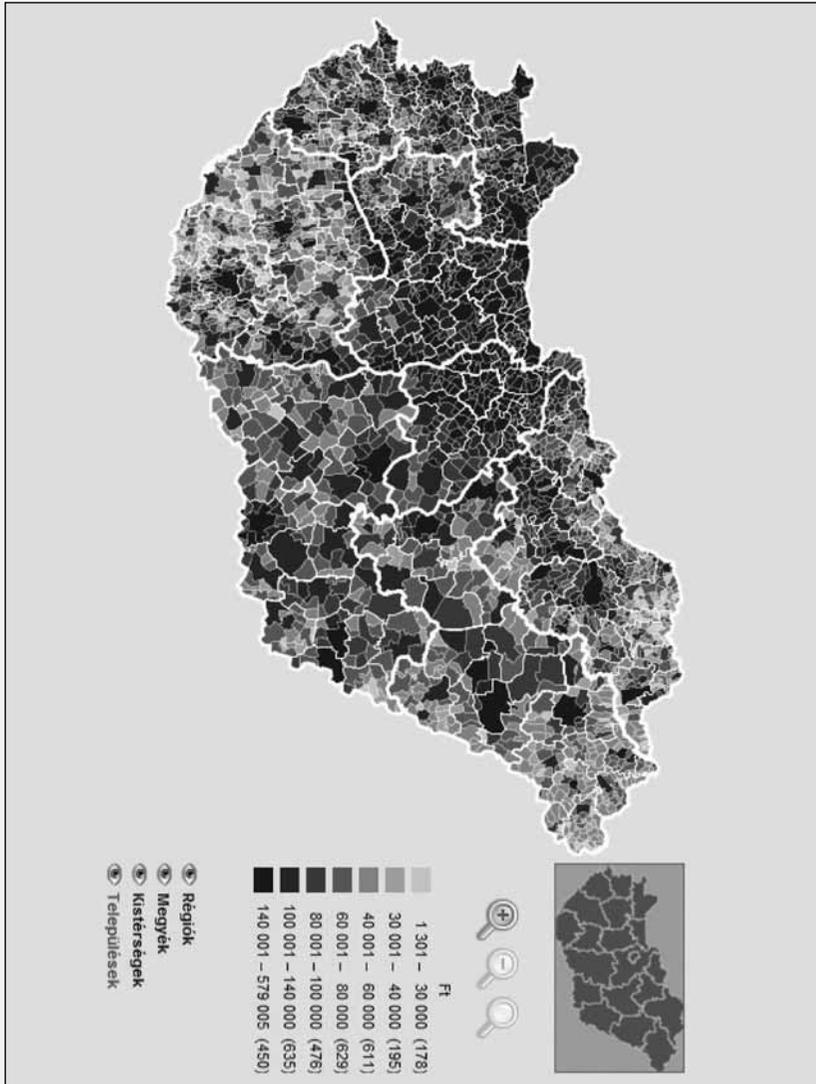
So the Northern Hungarian Operational Programme, just a few words: the Northern Hungary Operational Programme is one of the seven Regional Operational Programmes. It is something new because in the previous period there was only one Regional Operational Programme, now the regions have the chance to form their own Regional Operational Programme. Eight departmental Operational Programmes were added, including the economic development OP, which is important from our side. I would like to comment on this OP briefly. The total budget is around 23 billion Euros for Hungary. Based on this data, Hungary can be the third largest recipient among the new Member States after Poland and Czech Republic, if it can absorb this amount of money. This is a question of the future. The Regional Operational Programme is now

Map 6.2 Number of active companies per 1 000 inhabitants, 2007



Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

Map 6.1 GDP per capita in Hungary, 2008 (EU27=100%)



Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

more decentralized, the managing authorities are still centralized in Budapest, but the regional agencies really manage and maintain this Operational Programme. It is a crucial thing because Hungary is a highly centralized country, so it was a huge political fight to start this decentralization process. What is the overall goal of the Operational Programme? Two main issues: economic competitiveness and reducing territorial socio-economic differences. We saw the large socio-economic differences. These elements of the overall objectives can be considered as complementary things, but may be considered as not really comprehensive elements. There are specific objectives subject to this overall goal, the first thing is to improve the competitiveness of the local economy, plus tourism development and cohesion and social convergence. I am sorry for these little alphabets, but these are the five priorities of the North Hungarian Operational Programme and creating a competitive local economy is at the top, though I tried to draw your attention to the little numbers. Just check the budget for this priority, although I stated that Northern Hungary is an underdeveloped region, the share of these priorities is really moderate. More money goes to developing regional transport of course, because there are no major routes for Northern Hungary. I think this is one of the mistakes of the first Action Plan that this priority, although it was declared important, managed to gain just a little share of the budget.

The financial advancement of the Action Plan: the first table concerns the budget, and it is good news that if you check the plan and the figures almost all the previously announced amounts are already available.

**Table 6.2 System and budget of priorities and measures
in the Action Plan 2007-2008**

Name	Budget (Milion EUR)
Priority 1: Creating a competitive local economy	151.96
1.1.1. Development of regionally balanced industrial areas of regional and local significance	
1.1.2. Development of businesses by means of consultancy	
1.2.1. Establishment of clusters and corporate cooperation	
1.3.1. Developing the innovation potential of the region	

Priority 2: Strengthening the potential for tourism	228.69
2.1.1. Development of competitive tourism products and attractions	
2.2.1. Developing the quality of commercial accommodation and services	
2.3.1. Development of destination management	
2.4.1. Development of business services for tourism	
Priority 3: Settlement development	391.88
3.1.1. Integrated social urban rehabilitation	
3.1.2. Settlement rehabilitation to increase functions	
3.1.3. Settlement development supplementing rural development programmes	
3.2.1. Protection of environmental values, environmental safety	
Priority 4: Development of human community infrastructure	143.32
4.1.1. Development of fundamental and out-patient medical care	
4.1.2. Development of rehabilitation, geriatric and medical care services	
4.2.1. Development of social welfare services	
4.2.2. Ensuring accessibility of facilities	
4.3.1. Development of education and training	
4.3.2. IT development of regional public administration and public service systems	
Priority 5: Development of regional transport	105.54
5.1.1. Improving access by road	
5.1.2. Development of community transport	
Total	1 021.39

Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

But if you check the second table, problems arise. If we look at the amounts and the “paid” columns, this reflects the status in 2009, you can see that the amount paid for the priorities and for the OP is really rather moderate, just 20 million Euros has been paid. This is the second problem, due to the procedure and the administrative burden the payment is really moderate.

**Table 6.3 Financial frames announced in the calls for proposals by priority
(million EUR)**

#	Name of priority	Plan			Actual 2007-2008	Actual/Plan 2007-2008
		2007	2008	Total		
1.	Creating a competitive local economy	38.372	15.585	53.957	53.957	100%
2.	Strengthening the potential for tourism	52.322	4.394	56.716	56.716	100%
3.	Settlement development	91.255	32.367	123.622	91.251	74%
4.	Development of human community infrastructure	56.844	69.594	126.438	126.438	100%
5.	Development of regional transport	–	–	53.686	53.686	100%
Total		238.793	121.940	414.419	382.048	92%

Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

Table 6.4 Amounts of proposal funds by priorities (million EUR)

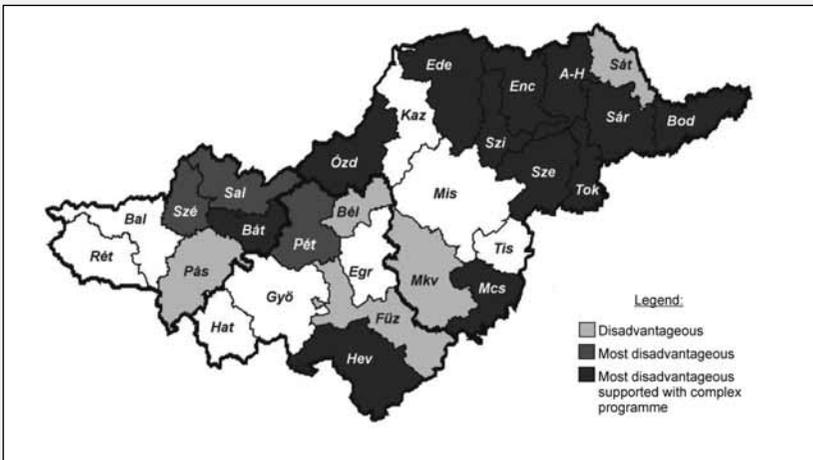
Priority	Announced	Awarded	Contracted	Paid
1. Creating a competitive local economy	53.957	33.771	11.032	4.406
2. Strengthening the potential for tourism	56.716	56.204	38.813	5.603
3. Settlement development	91.251	60.829	24.107	2.609
4. Development of human community infrastructure	126.438	71.506	–	–
5. Development of regional transport	53.686	45.737	32.733	7.421
Total	382.048	268.047	106.685	20.039

Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

I am impressed by Saxony's performance, I saw the evaluation process, which was eleven or not much more than twenty weeks, but in Hungary the time horizon from the application to the evaluation is almost twice as large. This is a great problem and it will be a challenge for Hungary to turn or

modernize this system, as well as keeping transparency, of course, but it is important to increase the speed of payment. Almost one third of the total population live in a disadvantaged region marked with grey and different shades of grey and this is a problem.

Map 6.5 Almost one third of the total population in the region living in disadvantaged microregions.

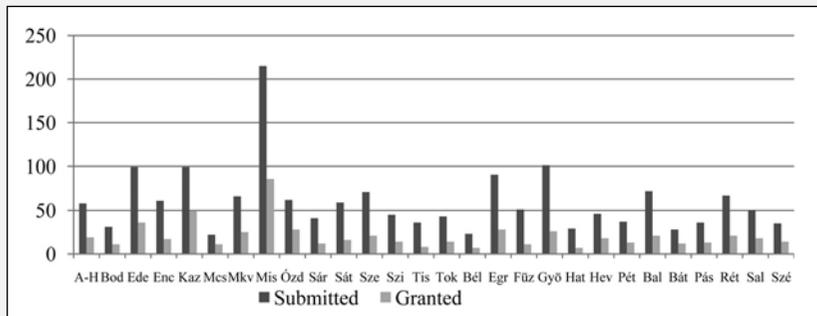


Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

It is a real question how much money should go to the development of these micro regions; they are analyzing the optimal redistribution of income. That is why we analyze the different priorities and we try to measure the likely territorial effect and the socio-economic disparities. Now I just want to explain the Priority One. We checked the action plan and the cause and we tried to make a typology. We found that the cause in the framework of Priority One, for economic development, is likely to generate territorial disparities, foster differentiation and disparities among cities. I don't think it is a problem because we face rising polarisation, socio-economic polarisation, but the result of this process will be the growth pause, so at the end we will see a growth pause. But we can say this: the Priority One and the distribution, the method how the money is distributed in Priority One, is likely to lift the territorial disparities in this sense. We measured micro region performances and there is no evidence

that disadvantageous micro regions show higher activity and efficiency, that is why the first step to help the growth pause was for Miskolc, or Eger, the second largest city, or for Gyongyos, one of the most industrialized micro regions, which led to more proposals submitted and granted. The logic was to first help these motors of the region and later deal with the matter of cohesion.

Graph 6.1 Distribution of proposals submitted and granted by micro-regions

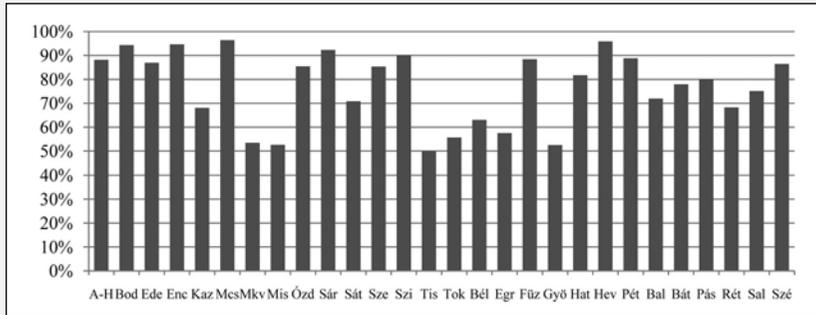


Source: Regional Report NH AP2007-08; University of Miskolc Faculty of Economics

The second one, average grant intensity, i.e. the share of grants compared to the total request for money. Now we find different evidence, the disadvantaged regions have higher grant density, so in this sense the cohesion priority is valid, so more money went to the less developed regions, as a percentage. The system and measures for the economic development of Priority One, is developing regional balance in the industrial area. (Graph 6.2)

Northern Hungary used to be the Ruhrgebiet, or rural region for Hungary during socialism. The region had a strong industrial profile, which collapsed and leaving brown fields and an out of date industrial output. That is why it needs renewing and the new motors can be in the newly established industrial parks. That is why you can see among the measures that money is going to support an industrial park. The second one, development of enterprises through consultancy, of course I think it is a little bit soft, but of course it is important to help the knowledge flow. The third one, the development of clusters, of course some global players or large multinational companies settled down in the region and the second important thing to help the SMEs and the local companies to be the clusters and to become the suppliers of these multinational companies. And at the bottom of the row, developing the inno-

Graph 6.2 Average grant intensity



Source: *Regional Report NH AP2007-08; University of Miskolc Faculty of Economics*

vation potential of the region, but compared with the Anhalt-Saxony case, it is really insignificant in this case.

In the first action plan between 2007 and 2008 there was no call for developing innovation potential in the region, so that could be considered a problem. Although large sums were addressed to help industrial areas become the growth pool for the regional economy and to help the cluster of SMEs. Here are some data and the same problem arises again, although there are large sums for request, no significant payment for 2009. So again, the slowness of the administration system may block economic development. But it is important that Priority One of the North Hungary Operational Programme is not just a supplement to the large National Economic Development Operational Programme, it should be more important. The Priority finances large projects, so industrial parks and clusters, but not really SMEs and I think this is a problem. Although we can await a spill over effect, that later the industrial parks and the clusters help the SMEs become more competitive, it takes time and we don't have time for it because of the ongoing crisis etc. The measures are just indirectly related to SMEs, we can state this, and the slow payment.

And finally the recommendations. More financial sources should be reallocated for Priority One, although the new government shares this idea and it is likely to be more sources for SMEs that is why new calls are needed, ones that are really suited for SMEs and their requirements. What are the requirements? Faster money, i.e. to reduce the interval, reduce the burden, the administrative burden, whilst retaining legality and transparency. The main problem for SMEs nowadays is of a financial nature so most of the SMEs suffer from liqui-

dity problems due to this circulating debt in Hungary, which is why it is hard for SMEs to provide co-financing in many cases. The main problem for Hungary and for Northern Hungary as well is the worsening labour market conditions, that is why new calls are needed to protect labour and jobs. Anyway, in the framework of the economic development OP there are some new ways to protect places and to help the SMEs to really become suppliers for an international company. They need more money for innovation purposes like new technologies and know-how and this kind of money is needed for the SMEs to survive the crisis and become the motor of the local economic growth. Thank you for your attention.

Moderator

Thank you very much Mr. Kuttor. First of all thank you for being on time, second of all thank you for very specific recommendations, I believe all of us here in the hall really appreciated those. The next talk will be Public procurement and SMEs by Mrs. Dr. Lenka Svecova from the University of Economics in Prague.

Lenka Švecová

(University of Economics in Prague,
Department of Management)

Thank you. My presentation is a bit different; it is rather microeconomic from the SMEs' point of view. In the first part, I would like to deal with the issue of public procurement in the Czech Republic in terms of its lack of transparency. The second topic I would like to cover is about a methodological apparatus that can be used in announcing the selection procedures. The selection procedure does not necessarily have to be paid from public funds. Let's start with information about the volume of public contracts financed in the Czech Republic.

Table 7.1 Public Procurement in the Czech Republic

Year	Number	Million
2009	9778	11971
2008	8155	12291
2007	7280	8744
2006	8993	12131

Source: Czech Statistical Office

You can see that the trend is not particularly growing or declining, the figures are in millions of EUR and the number stands for contracts financed from public funds. In 2009 we are at about 8% of GDP, which is not much in comparison with other countries. One third of these contracts is financed from public and state funds. The rest is financed from European funds. The statistical companies like the Czech Statistical Office put them separately. However, private funding sources share is relatively low; 95% of all public procurement in the Czech Republic in 2009 was assigned by public authorities, i.e. not private entities. In some cases, private entities may be subjects to this act when only a small part of public funding appears - then specific conditions are set for them - for information only. The following shows only the proportion of SMEs or large enterprises affected (95% of SME acting in the role of candidates, only 5% in the role of sponsor). However, there are not so many large companies in the Czech Republic, so the majority of companies seeking public contracts consist of medium enterprises. The 5% contracting authorities may be or are in the Czech Republic the private operators and the remaining 95% of the SMEs enter as candidates. However, due to expanding funding from the Structural Funds, particularly in the Czech Republic, from the Operational Programme

Entrepreneurship and Innovation, SMEs very often become announcers of selective procedures under the Public Procurement Act.

Let's now focus on some limitations and shortcomings that are often given media attention by Transparency International or the Platform for Transparent Public Procurement. The following key areas of problems arising in non-transparent procurement procedures have been identified. The first is corruption. The second area is platforms tailored to certain entities' needs. This is caused particularly by product specifications in order to exclude other entities. The third topic is the former arrangement of candidates on either price or quality. Another area is favouring companies that employ persons with reduced work ability. And of course: low transparency of contracts, non-disclosure of certain goods and non-compliance with the law. Just for your information - there was a large study in 2004 conducted by Transparency International. The result was that the Czech Republic lost about 1.3 billion EUR because of inefficiency and lack of transparency in government procurement. How is this reflected in legislation? There were two amendments to the Law on Public Procurement this year and a further amendment of the Act is being prepared for next year. The aim is to increase the transparency of this issue and harmonization with EU laws. In which areas is this expressed? The first is concerned in the so-called limit for the simplified procedure, which applies mostly to SMEs, especially if these are forced to issue tenders in the lower range - under two million CZK. Another novelty, which is considered the norm in many countries, is the blacklist of suppliers unfairly involved in any procurement. They are fined – it is the hard measure; and the soft measure is that they are put on the blacklist. The firms can be removed after at least three years. The third area, having only a minor effect on the SMEs, is that companies with share in the name to win public procurement have been eliminated. Another topic is the introduction of so-called integrity pacts, which is basically an agreement that everyone will act ethically and correctly and they will publish everything in the right places when signed. Other areas are steps to avoid the so-called bid-rigging. I will talk about it later. And the last is the compulsory disclosure of the offer price after opening the envelopes. This hasn't been obligatory before.

Now I'm going to talk about the under-limit selection process, which affects the SMEs directly. There was a terrible phrase in the Act: "Published in an appropriate manner..." However, this sentence could have been interpreted differently. This led to some situations such as: it was posted on the bulletin

tin board somewhere in a corner of the office nobody ever reads, on websites under the login or at best on the website, but without a link from the home page. We can also talk about journals chosen so carefully that only a few people noticed that the contract was announced. What is the solution? The information including under-limit procurements must be published on special electronic portals, not on one's own web site.

Another area I would like to deal with are the agreed offers. These are essentially cartels among several candidates - one, two or more, which leads to an increase of the offer price. This means that the technical specifications of the product are similar, but agreed non-winners offer higher prices thereby allowing the agreed competitor to win. The second possibility is that everyone has a similar bid price, but everyone offers a different quality of the supply. This happens mostly in oligopolistic markets with strong barriers to entry. What are the agreed strategy offers? The first strategy is to fake offer prices, i.e. that there are several companies in the competition that rotate within the territories or in time (you have this contract, I will have that one next time etc.) It is clear that no competitive bids can win because the competitors never offer better prices. The second strategy is all the agreed companies withdraw the offers just before the end of the tender. There is a response even to this in the new law, even though not perfect.

Now I'm moving to the second part, which is based on decision-making theory and indeed how should the selective procedure be created. It should be based on the objectives I want to get from the offer. It is then transformed into some evaluation criteria. And the assessment criteria affect the winning bid very significantly. The weights of those criteria are another aspect affecting the selection. Not all criteria are of the same weight. It is clear that the evaluation will be different when the offer price will have a weight of 5% or 95%. The third aspect is the chosen method of evaluation. If I wanted to win and I knew the input parameters, I would win. Of course, the offer must be in at least one aspect better. If it is the worst of all offers, it won't be selected no matter what.

Which of the approaches could be used? The approaches are suitable for a few fields, but there are some dangers and risks as well. An important thing to mention is that one of these approaches does not fit current Czech legislation. It can be solved, though. The first possibility is to specify the product in detail, no matter if it is a product or a service. The sole criterion is then the offer price. The second possibility is to do the opposite. We'll make the offer price

an upper limit and subjects compete only in qualitative parameters - the quality of products and services. The third method is a general contract with criteria selected in some manner, including both offer price and qualitative criteria. It's a combination of the previous ones.

In the first example - I have an accurately specified product or service and the offer price is just a limiting factor. When is it appropriate to use this approach? When I have an exact idea of what I want. Unfortunately, most companies do not always have this idea. A typical example is the selection of an information system. If I want to choose a new information system, either I know that I want a good information system and I know that I am willing to invest so much or I know I want this particular system. There may be competing offers. Then I would just specify the information system, so the one I want wins.

Most of these offers include very specific parameters that must be fulfilled and it quite often leads to the elimination of some candidates from winning the contract. One such case is really nice: a few years ago, when the standard was not to have a laptop with a wi-fi switch (on/off). I am not sure if it was the Senate of the Czech Republic issuing a tender for the supply of notebooks with the requirement that there had to be a wi-fi switch. And there was only one product on the market at that time that met this specification. Of course, the competitors asked how it was possible, but it's not important. It was necessary "due to security reasons" to turn off the wi-fi so no one could hack into a laptop. And those are exactly the types of abuses of this system. The specification of the product is so precise that it is impossible to find another company to meet the criteria other than the appointed company. In case that I do not want to cheat and I am an SME partly financed from public funds, this way may meet the price/performance ratio best - when I have exactly specified the parameters I want and I want to achieve the lowest possible price. It fits most of the technical products - computers, printers, where there is some functionality I need, but usually not more. I want to get the functionality given at the lowest possible price.

Dangers. I have already mentioned tailoring to certain companies' needs. Another danger is that a key requirement may stay unmet. If the sole criterion is the offer price, you may be unable to refuse some poor quality offer. What are the benefits? The evaluation is very simple. All other criteria act as constraints - non-fulfilment of one indicator means scrapping the offer. But once it passes the list of requirements, it is merely sorted according to price and the

best offer is chosen. The key disadvantage is that it is very difficult to specify. And it may happen that due to the list of offers you overrun the budget.

Now we come to the second group. The offer price is a limiting factor. For example I request some information system with a maximum price of CZK 2.5 million. Then I let the companies compete – who will offer me better information system functionality with better parameters, with greater scope, etc. When to use this approach? In a situation where I want the best quality for the budget I have available. This is very often the case of rigid budgets; even though the price may be specified in it. It means that I want to spend the given amount because I do not know how to use it for something else. So when the price is already set (although the preparation of the budget is overrated) I just want the maximum quality. This is the appropriateness of such use.

The second possibility is when you do not know exactly what you want. I'm not a specialist on the issue, I know that I want an information system; I know that I can invest this much - to some extent - but I really do not know what it should be. By announcing this tender, I discover the market offer. This is quite a common practice from SMEs requesting information systems or any equipment from the Operational Programme Entrepreneurship and Innovation. What are the dangers? There is a very subjective evaluation, because basically all the criteria are mostly qualitative in nature. It depends on the evaluators whether the compliance rate is 10 or 8 points. So there is a danger of subjectivity and a lack of transparency.

Another risk is when applied in situations where it is not completely necessary. Quality of a certain level would be enough for you and you get a quality that is higher than you need. So actually there is a waste of resources. A key advantage is not exceeding the budget, because it is a clearly given criterion. And by spending your own resources and by intelligent calculation of the offer price the best offer in terms of quality can really be chosen. Here I would like to point out that this is not permitted by the procurement law. It allows you to have either the offer price or the so-called overall economic profitability of the contract as a criterion. And the overall economic profitability of the contract must include the offer price. The solution is that the offer price can be of a very low weight such as 5%.

The last method is the hybrid. I have a general tender, it seems that I do not know what I want and for what price. These are the most non-transparent contracts. Almost everything fits in case of choice of the appropriate criteria. To make it at least a little transparent it is necessary to put a relatively high

weight to price, not 5%. A tender with a completely general specification and a very low weight for the offer price is odd.

That was all about this issue. I'm at the end of my presentation, but I have prepared a 2-minute video about the selection process in the Karlovy Vary region a few years ago. (<http://www.youtube.com/watch?v=f0-SY70ZR08>). And please let me conclude. Given that the issue of procurement was given great media attention in the political campaign in the spring, mainly by the political party Veci Verejne, this issue has been given considerable attention. Also a number of independent organizations such as Transparency International and others have pointed it out, so we may observe a progress in that legislation. I believe a time of less evasions is nigh.

Question from the audience regarding the specification of votes

I do not know exactly what types of procedures it is used for, but after this event was given such media attention, no one uses it. It is used as a cautionary tale everywhere. "

Moderator

I am glad that Mrs. Svecova started a topic about that grey area of public procurement. I am personally looking forward to the debate on this panel and hope that we will know if it works the same in the other Visegrad countries of or in Saxony in Germany. Now it's time for the final contribution. It is about Czech-Polish border cooperation between SMEs. I would ask representatives from the University of Wroclaw, Niki Derlukiewicz and Małgorzata Rogowska to the floor.

The Impact of EU Cohesion Policy on Small and Medium Enterprises in
Visegrad Countries: Integration of a Social-Market Economy?

Proceedings of the Conference held on 19.10.2010

Cross-border Cooperation of
Small and Medium-sized Enterprises
on Polish-Czech Border

8

Stanisław Korenik
Niki Derlukiewicz
Małgorzata Rogowska

(University of Wrocław)

Ladies and gentleman my name is Niki Derlukiewicz and together with Małgorzata Rogowska, we represent the University of Economics in Wrocław, the Department of Special Economy and Self-government Administration. Today we would like to present the results of a project we participated in together with the Czech side, IREAS, and the title is Cross-border Cooperation of Small and Medium Sized Enterprises on the Polish-Czech Border. To start with, I would like to say a few words about the project, because the project was co-financed by the Polish-Czech Forum and the duration time was from May until December, but we already have the results. The main project objectives were to identify the most important economic aspects of Czech-Polish cross-boarder cooperation for small and medium enterprises and then define the opportunities and obstacles of this cooperation through meetings and discussions with the interested parties. Also, one conference we held at our university in June and the identification of the impact of European Union funds for SMEs in border regions. How was our research conducted? First of all, we prepared a short questionnaire and we sent it to medium sized enterprises on both the Czech and Polish sides by email. But because there was a problem in getting answers from these companies, the next step was a telephone survey carried out by us and our colleagues from the Czech side. We interviewed the companies. The aim was to find three companies on the Polish side and three companies on the Czech side that cooperate with a foreign partner. We also interviewed an institution on Polish and Czech cooperation that uses European funds. On this slide you can see the research area, the districts that were interviewed. (Map 8.1)

So there are some on the Polish and some on the Czech side of the border. All of the companies that we interviewed came from different branches, these branches can be seen on this slide.

- automation, industry, metal processing,
- construction, mining, window frames
- energy, heating, measuring devices,
- business environment institutions,
- furniture, joinery,
- automotive, transportation, freight forwarding,
- packaging,
- printing, advertising, office supplies,
- training, consulting, advisory,

- textiles,
- IT services.

Here are three simple questions that we prepared for the survey and sent by email, unfortunately the companies did not want to answer, even though it was three simple questions like: does your company work with the Czech side or Polish side? From the Czech side our colleagues asked, 'Does your company use or benefit from any grants of the European Union?' And the last one, 'Has your company used European Union funds in cooperation with the Czech side?' And the response to the survey was around 16%, but finally we found three companies on the Polish side and three companies on the Czech side and the results of the survey were quite similar on the Polish as well as the Czech side.

I will give a few words about this survey questionnaire. They were simple questions. We can divide these questions into three parts, the first one asked about general information about the companies. It had eight questions and gave us information about the company: How long they cooperate and how did they find the Czech or Polish partner? Do they use some chamber, or is there a possibility that a chamber could be involved in this cooperation? And also a general question, the last one in this part - was devoted to discovering any obstacles in the cooperation with Czech and Polish partners.

The second part was devoted to the European Fund and it was aimed at finding some information about direct support activity from the European Union. So the basic question was do you have any information about the possibility of gaining some funds from the Union? Then the advantages and disadvantages of this type of support. And the last part was devoted to gaining some information about indirect support, if there was a chance that the money that was spent in the region, in this district or municipality, was by any means important for the existence of this enterprise and maybe for its cooperation. The first firm answered that there were difficulties in payment for this company on the Czech side and the other said that adjusting the business to the Czech market requirement was very difficult. The last one gave us more information, because this company was involved in a seminar that we held in Wroclaw and they gave us more information about the problems. In the survey they said that language was a barrier, the unfamiliarity with Czech conditions and customs, so the social level is also very important for this

cooperation. We always felt that the business area, the tax was important, but they talked a lot about this social level.

The general conclusion of the research, we won't talk a lot about the enterprise, is very important for the Polish side as well as the Lower Silesia and Czech side, because it allows us to develop easily. A lot was also said about the European Fund, about the Operational Programmes in lower Silesia. We also have a new one, the Regional Operational Programme for this period and a lot of attention is put into small and medium size enterprises so they can gain the most, a lot of money from this programme, but mainly for innovation. The general conclusion is that the companies that we found, after a lot of research, had not applied for any European Fund. Funding for cooperation programmes was also very hard. The reason for this is that three companies out of six indicated a lack of information about the possibilities of this type of support. Another reason is the huge bureaucracy observed on both the Polish and the Czech side. None of the Polish companies gained support, one of them used the Operational Programme that was carried out during the 2004-2006 period and it was devoted to the companies and they pointed out that this grant was basically important for the cooperation with the Czech side, because they made some trademark and it was very important for their cooperation. There were also some basic advantages, a positive impact on business development was the main advantage that this company pointed out. The disadvantages were mainly the same as I said before, the complicated application procedure, the lack of concentration on the aim of the proposal, but mainly, the possible errors by the beneficiary, so the bureaucracy is also very important. None of the surveyed companies have benefited from the European Union Fund indirectly, so they don't see any advantages in realizing some investment in the region with co-financing by the European Union Fund. None of them was a member of a professional organization. We found 3 main institutions that aimed to increase this cooperation, but the companies were mainly looking for their partner through their own efforts, so they don't use professional help. So this is also a very important issue and problem when we discuss this cooperation between cross-border regions.

In general, we can conclude that when we look at the region we can say that cooperation between many institutions can be observed, between municipalities, but not necessarily between small and medium sized enterprises. There are a lot of problems as we said today, we have a lot of possibilities in regional programmes, now we also have INTERREG. The Union puts a lot of

attention to partnership so it is very good that we can give some projects that also involve another partner. But finding this partner and also the legal matters about the partnership is not very common on the Polish side, so it is very hard to put that into practice. This cooperation is not yet reflected in a satisfactory manner on the cooperation of economic units. There has been little interest in cooperation and largely the resources from the European Union Fund are active in public and social institutions. It is not used to a satisfactory level. This is the basic information, thank you for your attention.

Discussion

9

Moderator

Very well, thank you very much for the Polish contribution. A question popped into my head, whether the cooperation between Czechs and Poles is thanks to or despite of the European Union, we can discuss that later on in the discussion panel.

So let's begin the discussion for this block, so I would like to ask Mrs. Svecova and Mr. Kuttor, if you could come forward for the discussion section, and the two Polish Representatives, if you could take your seats at the table in the front and so you are facing the questions from the audience. Good luck! So please, your questions.

Question No. 1

Louda, good afternoon, University of Economics. I would like to ask Mrs. Svecova when you're talking about the blacklist, how do those companies get on the blacklist? Who decides, whether there is some committee composed of representatives of NGOs?

Mrs. Svecova: Under the current amendment it is set out quite seriously in the Act. I think there will be some following measure to solve it. To state where it is said, what are the reasons for being put on a blacklist. I understand that the companies will be nominated by supervising subjects – the Institute for Protection of Competition. I guess that it would be done by public authorities rather than organizations like Transparency International. There will certainly appear some lobbying of these organizations to do it themselves or at least give incentives to put these entities on the blacklist.

Question No. 2

Karel Svetnicka, Faculty of Law. What is the difference between these conditions in the Czech Republic and Poland, i.e. in which points are there differences? Another question is whether any materials were collected for a situation where many small Czech companies recruit workers in Poland and sell them to big companies. An example is the recruitment of miners in Lower Silesia and renting them to the Czech mining company.

Another question is whether a business really needs some help? In terms of barter there are many Polish companies doing business here and vice versa, i.e. they act independently. The legendary retail firm Chłopskie Jadło wants to expand into the Czech Republic and Polish Żabka operates on both sides,

too. If that cooperation, promoted by the European Union, is requested by someone, is it necessary? Those businessmen simply know where the market has a space and act according to it without need of support. And the last thing, did you cooperate with the local Prague Chamber of Commerce, which mapped many of these things that you've researched?

Mr. Louda (in audience): I worked with colleagues from Poland as a representative of the Czech side, so I will partly answer this question. We did not communicate with the headquarters of Chamber of Commerce, we communicated with the Chamber of Commerce in Jablonec nad Nisou and in Nachod. We did not cooperate with the Polish Chamber of Commerce in Prague. We invited them to the conference in Wroclaw, unfortunately they did not arrive as they did not have time.

To the second question, if Czech companies need help in terms of expanding into Poland. We did not ask the companies. We wanted to find out whether businesses are now using the Structural Funds to build some kind of Polish-Czech partnership. For example, the Chamber of Commerce in Jablonec nad Nisou realizes a large project from Interreg – the Objective 3 - to create a Czech-Polish contact centre. The project is for five years and costs about 800 000 EUR. It is not a small project. This contact centre should be a market place between the Czech and Polish companies, where they can write on the Web and look for partners in Poland. So we asked for this. Czech companies – I don't know about Polish - do not know about this possibility. There is little knowledge about such projects. Not only does the Jablonec Chamber of Commerce have a special website for Czech and Polish companies looking for a partner, but so too does the Chamber of Commerce in Nachod. However, owners of those three selected Czech companies with whom we had a personal interview told us that in no way do they use the European funds. They rely on the market and they consider EU financial support for certain companies, e.g. from the Operational Programme Entrepreneurship and Innovation, to be a distortion of the market.

To the first question, we did not work in the questionnaire with the phenomenon of companies recruiting workers in Poland and offering them to Czech companies. You can ask colleagues from Poland specifically about the Polish side. I was responsible for the Czech side of the research and the ladies were responsible for the Polish side.

Mrs. Derlukiewicz and Mrs. Rogowska: Yes, maybe I will give some information on how it looked like on the Polish side. The first question was what kind of important obstacles were there to cooperation. On the Polish side the social aspect is very important. We can also say that one company has a problem with payment, but it can happen to any company, so it does not matter on this cross-border cooperation. But if we want to increase this cooperation and we talk more about this partnership idea, it is important to talk about the problems at the social level. The examples I can give are: there is a Czech and Polish company and the main problem is that they produce air fresheners for cars. They have a company here in Czech, and for the Polish owner it was very strange that he cannot find a bank that would open an account in some other exchange - Euro or Dollar is OK, but Czech crown is not. And also the customs are different, so if they want to give some extra money and ask the employees to work after hours it was not accepted in Czech. They finish at five or three o'clock and it is over. In Poland it is very flexible. If you give extra money you can have workers as long as you want, even during the night. So these are two examples that I can give at this level that are very important. But there is also a lot of tax matters and others that we could give as an example of an obstacle.

Question No. 3

Can I just add one more thing, very briefly. Based on the research that you made, saying that the cooperation does exist and that they don't use the funds as they are supposed to. Do you think that the cooperation would work the same way as it does today even without the funds?

Mrs. Derlukiewicz and Mrs. Rogowska: It is a very interesting question, at the beginning our project tried to tackle this problem and we think that companies that are well developed do not need European Union funds. But very small companies, new companies, that would maybe like to cooperate with a Czech partner, they have financial problems, so European Union funds can be helpful. But I cannot give you a simple straight answer, because I don't know this answer.

Question No. 4

Forman, journalist and publicist. I have a question for Mr. Kuttor. You mentioned problems in the northern regions of Hungary. Is it due to the

increased proportion of the Roma population? How do you/they want to solve it? By using Rubik's cube or do you/they have any idea how to solve it? Thank you.

Mr. Kuttor: Thank you for your question. This is a very strange and sensitive question and topic and I think it is very complex. We have to solve these problems through lots of policies. We have to follow an integrated concept. Now, what we can see is that we have to change the tax system, to force the Gypsy population, or the majority of the population, to the labour market. That is why I think it is essential to change the tax system. The second point is that the young Gypsy population have to be educated, more educated, because most of them are out of school. I don't know which soft and hard tools can be used, but it should be used to break this negative cycle that they are socialized by unemployed parents with no prospect, no future. That is why we have to break this cycle. Anyway, the Gypsies, in general, are the losers of this transition. We can observe that they are getting geographically concentrated in some parts of the region, especially in the peripheral parts. More jobs have to be shifted or created in these areas. The problem is that now they are used in low tech technologies, because they are not educated. So it is a complex thing, start to educate them and have them create value, but it takes time, a lot of time. We have to forget this concept of equal changes, I think we have to make difference between the Hungarians or other minorities and Gypsies, because they have different values, a different concept of life, so we have to know them and we have to transfer the values and help them to follow these rules. Anyway it is a crucial problem, because the half, or about a half of the Gypsy population in Hungary lives in Northern Hungary. It is a crucial thing and at the regional level we can see the negative effect of this really poor and really uneducated population. But the thing is to put them back into the labour market, create jobs...NO RECORD

Question No. 4

I would just like to ask about the cross-border cooperation, how does the programme solve the following problem that Czech businessmen face. When they want to buy a small factory or something, they find crazy contracts with Solidarita. For example, my friend wanted to buy a printing company with thirty employees. And when he found the conditions he had to sign, he ran

away. The requests of unions were outrageous. How do these programmes cope with this?

Mrs. Derlukiewicz and Mrs. Rogowska: I don't think that the programmes are ideal, so there are a lot of problems and they don't deal with a lot of issues. But I don't know how it looks when you want to buy a company. This is the similar problem when EU puts a lot of attention to this partnership. It is very good when you have a partner from the Czech Republic and you have a project, you have a lot of points so you will probably get the money from the structural funds. When you look at this partnership issue, you will see that finding this partner is one way, but making this agreement is a lot of issues that are hard to deal with, so that is why this partnership is not very popular. We have to rethink this programming issue in dealing with the problem that you mentioned, the example of the company.

Question No. 5

Hello, Petr Lev, a student of Economics. I would like to ask Mrs. Lenka Svecova, what is your opinion on the current anti-corruption strategy of the government and the main steps you suggest to improve the situation of public procurement assignment and corruption, especially in the public sector.

Mrs. Svecova: This problem has two levels - political and objective. I am quite an apolitical person. I do not like saying how this should be improved without any particular solution. The first step is in the amendment mentioned above – to make all procurement assignments, both sub-limit and over-limit, as transparent as possible. This means the obligation to announce it on given servers accessible to everyone. It also means to set the recommended methodology on how to select the evaluation criteria and the weights of individual criteria and rely on the methodological apparatus. Some of these methods are less politically feasible, of course. I consider developing some sophisticated study with precise rules, not just general guidelines, to be the solution. This could prevent abuse of the system. Take for example the sentence in the law mentioned earlier - "Has to be published in an appropriate manner." There should be –"Will be published at least..." No one cares when it comes to public disclosure of procurement on 20th December and the offers should be delivered before 5th January. Who

would notice this information in companies on 20th December? Such things are not addressed. All possible ways of getting the information around must be found and addressed. I believe that this is the only solution, because the behaviour of those subjects is not going to change. When the incomer is not the one financing the project, if it is funded by taxpayers, and the beneficiary effectively gets someone else, everyone maximizes his/her benefits. If the society is used to such unethical behaviour, it cannot be changed overnight unless there is a very harsh solution. My opinion is to make a list of all the possible ways to get around, make it possible to update the list and then stick to it.

Question No. 6

I have a question to Daniel Kuttor. If I am right, you told us that in the Action Plan in the North Hungarian Operational Programme there was a call to secure employment. Can you tell me in which direction it is oriented? Is it to create employment in the public environment or to support private enterprises to invest and to secure their competitiveness?

Mr. Kuttor: Yes, I think nowadays the public sector is over, too many, I think in the future there are likely to be cuts in the public sector. Most of the work places should be generated and created in the business sphere. In particular, there are some driving sectors in Northern Hungary which are going to be supported more, like the mechatronics, so i.e. the mechanical engineering, and electronics and chemical industry. These branches can benefit more from the cluster initiative and the innovation potential to foster measures. If you see the geographical distribution of work places, I think in this point the most important issue is equally distributed work places. Because if we made calculations, we can realize that the work places and the value added are getting more and more concentrated and the peripheries are left on their own, so no chances in the future. The policy has to intervene in these market processes and of course the first thing is to protect the work places. If you remember, Priority 2 or Priority 3 is dedicated to tourism, I think it is a little bit too optimistic to think that tourism can solve the problems of Northern Hungary, but this is an idea in Northern Hungary. It is true that we have many geographic features, landscapes and world heritages, but no significant traditions, but in the future this branch also has priority. We will see how it works.

Question No. 7

Makarevich, University of Leipzig, I have a question for Mr. Kuttor. Since the low absorption of the fund, is there any assistance – like institutional - for the SMEs to help them to meet the formal requirements of the applications?"

Mr. Kuttor: Yes, of course, I think this is the phenomenon of Dutch disease, a lot of money came from outside and lot of organizations want to deal with this issue to supply the stakeholders with money. Of course there are many, traditionally the Chamber, but of course there are lots of organizations. Also the University tries to find its place in the market. I think it is a key issue that we should orient the SMEs to find each other. Anyway, we made a similar cross-border cooperation with Slovak partners from Košice and there are opportunities. If we step outside, cooperate with Košice region, but the SMEs need the information and have to make the first step.

Reaction to Mrs. Svecova's answer to Question No. 5: I'm just responding to the corruption, because corruption and these things were my job for a while, until I found corruption in the Supreme Audit Office and at that moment I got fired. I am still at court with them. To make it clear, just look at what the press is printing about Mr. Dohnal. Mr. Kalousek, the current Minister of Finance, nominated him. There are no records why, maybe he read his name from the tea leaves, but he found him in a place where Mr. Sustr, who was fired from the Parliament because of scandal around the lobby of the Law on Lotteries, worked. And if we have a public contract, started by Mr. Kalousek as CZK 115 billion for environmental damage, it is controlled by the chosen one, Mr. Dohnal. Mr. Dohnal resides in a house where the rent is six times higher than usual for that place and time. It belongs to the company of Mr. Kellner, who is also a participant of this contract. This is how the corruption looks like. It's not about whether the corruption is or is not specified in some way. The corruption is there where an official makes decisions and there where no strict checks are. There where the checks and balances are set out clearly no one is able to corrupt. Unfortunately, for us, it remains, probably on purpose, that those barriers are not defined.

Mrs. Svecova: Thank you for the comment. That is exactly it, when they set the rules of the game, it will be harder to be corrupt. We cannot eliminate this. We can only reduce the availability for those entities involved. This is like my suggestion on how to solve it. I can imagine that there will be an indepen-

dent organization. The question is how to ensure the independence of this organization. Again, who will appoint these people to the independent organization? There is always something like that which can arise.

Mr. Kuttor (Reaction): What you have said, corresponds to today's topics, who controls the inspection. As Mr. Dohnal wants the control of Parliament to be by him...

Mrs. Svecova: Well, logically it is the taxpayer and voter who controls. It should be reflected in the preferences in the elections. There is a need for everything to be announced that all those people knew about and were informed as objectively as possible.

Question No. 8

Jan Borský, University of Economics student. I have a question for Mrs. Svecova. In the case of tender assignments, they are sometimes divided into smaller parts, just so that they fell into the limit. Will there be something that directly focuses on this in the new amendment except for higher transparency and tightening?"

Mrs. Svecova: I do not know if it will even be focused on this. There is still the aspect of tightening. The second aspect is that there is obviously a general law on public procurement. The provider of public funds can set the rules of the game a bit more restrictively. It cannot be reduced. To be funded by the European Social Fund, the rules are stringent and it is recommended for evaluators that the contracts are larger rather than smaller. It is both for applicants and evaluators of those projects. It is up to the providers of the subsidies. This means that the law does not address it yet. There is also the question "how"? It is dealt with at the level of individual donors, like those public funds.

Question No. 9

One more question to Dr. Kuttor and Mrs. Derlukiewicz and Mrs. Rogowska. Now you have been listening to a discussion about how bad it is in the Czech Republic as far as the financing of this sector goes and I was wondering is there anything in your countries that you would export to the Czech Republic to help in this sector? Is there something that exists in

Hungary or in Poland that works well and helps prevent the frauds in this sector?

Mr. Kuttor: I think that what we can export or draw attention to is the history or the tradition. Once we lived in a large market, like the monarchy, one hundred years before and at that time things worked very well and everyone could benefit from the large market. We should somehow manage or reactivate this potential. We should cooperate. I think the next year, 2011, is a good year for Visegrad countries because Hungary and Poland will get the Presidency in the EU, so we can announce our requirements or problems at the EU level. We should focus on this opportunity to tell important things to the rest of the EU and the rest of the world. If we cooperate, I think it is easier, so it is nothing special.

Mrs. Derlukiewicz and Mrs. Rogowska: I can't think of any good example. I think the conditions are similar. Maybe our colleagues from Czech can give an example because they introduce Czech small and medium sized enterprises. They maybe can give some good examples of this cooperation, how the Czech enterprises see the Polish enterprises and the advantages of this cooperation. I can only say how the Polish see Czech enterprises.

Specifying Question No. 9

I think we shifted the question; it is only about internal affairs - internal corruption, making internal offers, evaluating and so on. So is there anything like we saw (on the video)? Is there anything in your country internally, leaving aside the question of the European Union, that works well and prevents or stops corruption in Hungary or Poland?

Mrs. Derlukiewicz and Mrs. Rogowska: Well, Poland is very corrupt. It can be easily seen on the Regional operational programme. Basically after gaining points for the project after one year, then you can receive the money. There is much discussion that it is involved with politics. If you have a municipality that gives a project about their infrastructure investment, it matters what kind of party is represented. Basically, we don't say we are transparent, but not so much. If you look at the list of countries of Transparency International we are not dealing with this problem so well. I cannot think of any good example here, sadly.

Mr. Kuttor: One message from Hungary regarding corruption. I think there should be no tolerance if we speak about corruption. It is my feeling from looking at Hungary in recent years that corruption spreads faster than we think and it can make everything go wrong. It is awful. Anyway, in Hungary it is good behaviour if a person can avoid the payment, a tax payment, so it is something which is nice, because over the centuries the Hungarians were socialized by the Russians, the Turks, and this was the strategy for survival. So there are traditions for it, but corruption breaks apart the society, so it is something very negative and spreading very rapidly.

Mrs. Svecova: I found the conclusions or results of the so-called size of the public procurement market. We have about 9% of the GDP. The largest volume of this market, which represents the greatest scope for corruption, is in Hungary. It comes to 18.31% and the Slovak Republic, where it is about 15.3%. On the other hand, this share is also in Sweden, but there is not that much corruption. It is not really a positive habit, but the potential for corruption or misuse of public resources in these countries is the higher the greater is the share of GDP in these resources. I think these figures are from the OECD or Eurostat.

Question No. 10

Forman. This is something that is historical. I mean the age of the last Premyslovci, when cooperation with Poland was defeated by the death of Wenceslas III. What happened to Eliska Premyslovna then? How did she react, when her husband stopped listening to her and listened to his noble sons? They were allied with the citizens, who were more or less allied with the power of armament, etc. It led to tunnelling the royal treasury and it is still happening today. So this has already happened and it is no surprise for me. There was a Hungary, the Hungarian crown was there, etc. There also has been fighting like today. Why? Because of a church. We do not know what is in its bank accounts, etc. It's a question. Thank you.

Mrs. Svecova: I think it was a note to this discussion. Thank you.

Reaction: Just a note to the previous speaker. That so-called tunnelling of Polish privatization was precisely determined by law as I know from the history of the Third Republic lectures from Mr Antony Dudek at the Jagiellonian University. And the second thing, those numbers. According to statistics issu-

ed by the courts in the case of completed criminal sentences it is 118 times more probable to be murdered than corrupted twice. These are court statistics. It signifies something.

Question No. 11

I did not notice any discussion about increasing the role of EU recently, so I would be interested in your opinion. Shouldn't corruption be resolved by less regulations and interventions? Isn't it one of the possible solutions to reduce corruption? It is generally always in one direction. The state strengthens its competence, increases its rights, actually restricts people, companies, etc. Should not it turn to move in the opposite direction, because those institutions already spend a lot and it is constantly increasing. Thank you.

Mrs. Svecova: I think it is a question for all of us and I totally agree with that. Money from the Structural Funds doesn't seem to be spent efficiently enough because of transaction costs arising with the process of assessment and evaluation. These are formidable. However, it is true that we live in a political situation, where in many European economies the centre-left oriented parties have won. There is no long-term scope for reducing the influence of the role of state. My opinion is - yes, this would solve a lot when removing the decision-making power. As my colleague said, it simply means that the state will not have money to reallocate. It will mitigate this behaviour. The question is - how? With the political situation in Europe as it is, I think this won't happen.

Mr. Kuttor: The European Union is not interested in corruption. I think Bulgaria was the only country that was really criticized for its rate of corruption, and Greece and Hungary, maybe. But the EU is not interested, because it gives the money and this is the price for free access to the market and it is a question of that given country, how it will create the system, which allows the money to be distributed. I think it should be solved at the national and regional level and the EU shouldn't help a lot, just address some criticism but it should not be interested in the efficiency of allocating the money. This is my opinion.

Mrs. Derlukiewicz and Mrs. Rogowska: We are not experts in this field so it is difficult to say something on the condition of corruption in Poland.

Moderator

So there's still time for one last question, who will use it? Yes, excellent, the University of Economics never disappoints.

Question No. 12

If the evaluation found out that the allocation of funding for the business sector is inefficient and it does not help, do you think there's any chance that the European Union would stop the structural funds? Or it will try to keep on and on, even without results? Is there a chance in the medium or long term to change anything?

Mrs. Svecova: I generally think that when someone sits on a package of money, he won't surrender it voluntarily.

Mr. Kuttor: I don't want to be too clever at the end, but last week I participated in a conference and the main message of that conference was that it is a mistake if we concentrate too much on these EU funds. We should concentrate more on the opportunity that this large market offers and this free market. That there are no borders, there are a lot of good practices in the EU so we can really learn from each other and we should use the opportunity of a large market. And of course there are significant funds, not as significant as the Marshall plan, for example, but there are funds, however we should concentrate more on the market and the opportunity.

Mrs. Derlukiewicz and Mrs. Rogowska: Of course I agree with this and also for Poland I don't think the EU or the regional authorities would like to give up on enterprises, small and medium sized especially. As an example of Lower Silesia, this is the basic subject that is very important for development. We can talk a lot about the absorption of funds at specific levels. From the point of view of Lower Silesia we can say we have a lack of infrastructure. But the Marshall office decided to give over 40% to improve enterprises, especially small and medium sized ones. Of course when we talk about this support it is important that we are innovative in our activity. This is important for Lower Silesia, we have very different areas, especially Wałbrzych and the Sudety mountains that are based on small and medium sized enterprises and their development. So it is very important for us to improve this area and support these enterprises, because we can say that we have a lot of foreign investment

in the region. As an example I can give Wałbrzych, but these new factors of development are also very important for these foreign investors, so they leave Wałbrzych and this special investment zone and they leave this tax offer, so they pay higher taxes, but they want to be close to Wrocław and to the new factors, like the quality of human resources, not only quantity. When we think about the European fund at the regional level, especially in the region I live, it is very important to improve, so I don't think we will have to leave these enterprises without support.

Reaction in audience: This won't happen. As a lawyer I know that Parkinson's and Murphy's law are always the best. If the officer had accidentally discovered this, he would risk losing his place, he would invent a new commission to figure out how to do that. This means doubling the number of officers, just to make it work. Although reducing the amount of money on those objectives which it is addressed, but officials will live on this money. They will never destroy themselves. So do not worry about that.

Moderator

As expected, we divided the room into two more or less radical defenders and opponents of the European Union. I was personally interested in the opinion of our colleagues from Germany. Is it worth financing the SMEs, or do you think that it is overdone these days?

Mrs. Kunze: I think the funds are very important because the regional differences in all countries are growing. Of course there are nucleuses of development in every country, but the regions which are no longer able to participate in the dynamics of development are growing and the European funds help to develop these poor regions. I think we cannot develop without the funds.

Moderator

So if no one else wants to add something, it is up to me to conclude today's conference. Thank you, especially those who stayed until the end. I believe that it was well worth it, because the discussion ran very nicely. Have a nice day.

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