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PUBLIC VERSION

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**Subject: State Aid SA.52028 (2018/EV) – Poland
Evaluation plan for the scheme "Regional aid program granted
to some entrepreneurs for the implementation of a new investment"**

Sir,

1. PROCEDURE

- (1) By electronic notification of 14 September 2018, Poland submitted a summary information sheet pursuant to Article 11(a) of the Commission Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty¹ (hereinafter "GBER") on the aid scheme "Regional aid program granted to some entrepreneurs for the implementation of a new investment" (hereinafter the scheme), which it had put into effect on 5 September 2018 pursuant to Article 1(2)(a) of the GBER. Poland plans to implement the aid scheme until the end of 2020. Poland's submission was registered as SA.52028 (2018/X).
- (2) This aid scheme, with an average annual budget of approximately EUR 676 million constitutes a large scheme in the meaning of Article 1(2)(a) of the GBER. Under this provision, aid schemes are exempted only for

¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L187 of 26.6.2014.

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a period of six months after their entry into force, unless a longer period of exemption is authorised by the Commission following the assessment of an evaluation plan for the scheme to be notified by the Member State concerned.

- (3) In order to obtain that prolongation, Poland notified an evaluation plan for the scheme on 26 September 2018, which was registered by the Commission under SA.52028 (2018/EV) on the same date. By letter of 3 December 2018, the Commission asked for supplementary information. Poland submitted an amended evaluation plan and provided the requested information on 12 and 21 December 2018. Further information was provided by emails of the Polish authorities on 21 December 2018, as well as on 1 and 6 February 2019.
- (4) By letter of 4 February 2019, the Polish authorities agreed to have the present decision adopted and notified in the English language.

2. DETAILED DESCRIPTION OF THE KEY ELEMENTS OF THE NOTIFIED EVALUATION PLAN

- (5) As required by Article 2(16) of the GBER and in line with best practices established in the Commission Staff Working Document on Common methodology for State aid evaluation², the notified plan contains the description of the following main elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date for submission of the final evaluation report, the approach for the selection of the independent body conducting the evaluation, and the modalities for ensuring the publicity of the evaluation.

2.1 Objectives of the aid scheme to be evaluated

- (6) This scheme replaces a preceding regional aid scheme³, which is subject to an evaluation plan approved by the Commission⁴.
- (7) The evaluation plan of the present scheme covers the whole period of the scheme: from 5 September 2018 until 31 December 2020.
- (8) The detailed principles for granting public aid within the framework of the scheme are specified in the Regulation of the Council of Ministers of 28 August 2018 on public aid to be granted to certain enterprises for

² Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD(2014) 179 final.

³ SA.40523 (2015/X) "Regional aid scheme for enterprises conducting business activity in the Special Economic Zones, on the basis of a permit issued in the period from 25 December 2014 to 31 December 2020".

⁴ SA.38830 (2015/N).

new investments⁵ issued on the basis of the Act of 10 May 2018 on support for new investments⁶.

- (9) The scheme provides regional investment aid in the form of income tax exemptions for investment projects that contribute to the sustainable economic and social development of the assisted areas of Poland included in the Polish Regional Aid map 2014-2020⁷. The projects to be supported under these objectives must consist of initial investments in new assets as defined in Article 2(49) of the GBER.
- (10) The objective of this scheme is to stimulate an increase in private investments which will contribute to: i) development of innovative areas of economic activity, ii) creation of new, stable places of work for highly qualified personnel, iii) development and use of new technical and technological solutions iv) increase of competitiveness of manufactured goods and services, v) development of exports, vi) halting of the growth of regional disparities.
- (11) Both SMEs and large companies can receive aid under the scheme. The estimated number of beneficiaries is about 8,000 to 12,000.
- (12) The maximum aid intensity available to aid beneficiaries takes into account the different level of economic development of the individual regions. In line with the Polish regional aid map 2014-2020, the maximum aid intensity ranges from 10% to 50% for large enterprises, from 20% to 60% for medium-sized enterprises, and from 30% to 70% for small enterprises, depending on the area where the investment projects are located.
- (13) The aid is granted through an administrative decision issued by the minister in charge of economy on the basis of an application of the beneficiary, which needs to contain an implementation plan for the new investment. The aid is granted if the project fulfils certain quantitative and qualitative criteria specified in the national legal basis. They refer, among others, to the level of unemployment in the district where the project is located and the qualitative assessment of the project including its potential impact on new jobs creation, the specific sector in which the investment takes place, the expected cooperation with research entities, etc.
- (14) The aid in the form of an income tax exemption will be granted for a period of 10, 12 or 15 years depending on the location of the investment.
- (15) The Polish authorities do not expect undue negative effects of the aid scheme on the domestic market.

⁵ Journal of Laws of 2018, item 1713.

⁶ Journal of Laws of 2018, item 1162.

⁷ Journal of Laws of 2014, item 878.

2.2. Evaluation questions and result indicators

- (16) According to the Polish authorities, the scheme will be evaluated at the level of the undertakings receiving the aid and at the level of the local areas (e.g. towns, districts) where the investments are located.
- (17) The evaluation plan contains a set of evaluation questions addressing the direct impact of the aid on the beneficiaries, as well as the indirect impact of the aid on the development of the target areas, on the strategic sectors identified by the scheme, and on the spill over effects on other undertakings. One evaluation question also addresses the possible negative effects of the scheme on the undertakings not receiving aid. Finally, the evaluation plan contains questions on the proportionality and appropriateness of the aid. The result indicators are linked to the evaluation questions and to the objectives of the scheme.
- (18) The direct impact of the aid will be addressed by evaluation questions concerning the performance of the beneficiaries and the incentive effect of the aid. Specific questions are meant to assess to what extent the aid contributed to increasing employment and innovativeness and had a positive effect on the financial conditions of the aid beneficiaries in terms of investment, income, export sales, and profits. The issue of whether the direct impact of the scheme on the aid beneficiaries differs by size class and location will also be addressed. The result indicators used to assess the incentive effect of the aid include the share of enterprises making investments into R&D activities and fixed and intangible assets in successive years following the implementation of the investment.
- (19) The indirect impact of the aid will be captured by studying the scheme's effects on the development of the target areas and of the sectors eligible under the scheme as well as the positive spill over effects on non-beneficiary enterprises such as, for example, increased cooperation in pursuing R&D activities. The result indicators used to assess the indirect impact of the aid include the unemployment rate, average salaries levels and number of enterprises active in the target areas, the share of enterprises stepping up cooperation with other firms regarding R&D activities, etc.
- (20) The evaluation questions on appropriateness and proportionality will assess the efficiency of the aid scheme's design by investigating whether the support instrument used was suitable for solving the problems the scheme is meant to tackle, whether other aid types of intervention could have been more effective in meeting the scheme's objectives, and whether the same effects could have been achieved with less aid or by using different forms of aid.

2.3. Envisaged methodology to conduct the evaluation

- (21) The evaluation will be conducted using a combination of different methods. In particular, the Polish authorities propose to use either matching techniques for control samples linked by using difference in differences technique or the method of matching control samples on

the basis of a cut-off score (regression discontinuity design). As the implementation of intervention is only at the initial stage, and therefore the size of target population to be analysed is currently unknown, the choice on the analytical techniques to use will be verified in particular at the stage of a feasibility study for the research, using data gathered by Polish public statistics services. This feasibility study is to be carried out three full years after the mobilisation of the instrument, i.e. in 2022. The analysis of the intervention impact will be analysed at the level of direct impacts, concerning beneficiaries of support, and indirect impacts, concerning the environment of supported entities. The research methods planned to be used differentiate between direct and indirect impacts.

2.4. Data collection requirements

- (22) The evaluation will be based upon both primary and secondary data. The following data sources are planned: reporting data from enterprises of the Central Statistical Office, records concerning identification of beneficiaries, data on scoring achieved by individual enterprises during the evaluation procedure of applications for support, as well as data in the form of questionnaire surveys of enterprises. For final evaluation purposes, qualitative data will also be gathered as part of case studies and in-depth interviews.

2.5. Proposed timing of the evaluation, including the date of submission of the final evaluation report

- (23) According to the Polish authorities, the foreseen timing for the evaluation is composed of the following phases:

Task	Deadline
Mid-term evaluation report	June 2022
Evaluation of impacts for the first three years of the implementation of the Regulation, replies to all evaluation questions	2026-2027
Final report, presentation of findings and policy proposals	2027

2.6. Independent body selection to conduct the evaluation

- (24) The Polish authorities explained that the evaluator would be selected under a competitive tendering procedure taking into account the rules and procedures provided for in the Public Procurement Act of 29 January 2004⁸. The contract specifications will contain provisions guaranteeing the independence of the evaluator from the aid granting body.
- (25) The minister in charge of economy will carry out the procedure for the selection of the evaluator. The selection criteria will include requirements concerning experience in the evaluation of programmes and instruments aimed at increasing competitiveness and innovation of

⁸ Journal of Laws of 2018, item 1986.

the economy and in promoting local and regional development, in using the methodological approaches planned for the envisaged evaluation, the availability of a multidisciplinary evaluation team, and the level of qualification and experience of the individual experts, etc.

- (26) The evaluation contract will specify the duties of the evaluator to inform the aid granting body regarding the progress of evaluation as well as to consult it and obtain its approval concerning the key deliverables of the evaluation (such as the methodological report, research tools, and final report). The contract will provide for penalties for the contractor in the event of failure to meet on time the key evaluation milestones.

2.7. Modalities for ensuring the publicity of the evaluation

- (27) The Polish authorities confirm that the results of the evaluation will be published on the webpage www.mpit.gov.pl. A conference with interested stakeholders is planned in order to ensure wide dissemination of the evaluation report. Furthermore, the Polish authorities explained that stakeholders would be involved at different stages of evaluation, including the stage of preparation of the call for tenders for the selection of the evaluator, as well as at different stages of the evaluation, including in particular during the consultation phase of the reports: methodological, interim, and final evaluation report.

3. ASSESSMENT OF THE EVALUATION PLAN

- (28) The correct application of the GBER is responsibility of the Member State. The present decision on the evaluation plan does not assess whether the aid scheme to be evaluated was put into effect by the Member State in full respect of all applicable provisions of the GBER. It does therefore neither create legitimate expectations, nor does it prejudice the position the Commission might take regarding the conformity of the aid scheme with the GBER when monitoring it, or assessing complaints against individual aid granted under it.
- (29) Pursuant to Article 1(2)(a) of the GBER, certain aid schemes⁹, the average annual State aid budget of which exceeds EUR 150 million, should be made subject to evaluation. The Commission notes that the annual average budget of the aid scheme concerned by this decision currently exceeds EUR 150 million.
- (30) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required *"in view of the greater potential impact of large schemes on trade and competition"*. The required evaluation should *"aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, as well as the effectiveness of the aid measure in the light of its general and specific objectives and should provide indications on the impact of the scheme on competition and trade."* The State aid evaluation should in

⁹ Schemes under Sections 1 (with the exception of Article 15), 2, 3, 4, 7 (with the exception of Article 44), and 10 of Chapter III of this Regulation (Article 1(2)(a) of the GBER).

particular allow the direct incentive effect of the aid on the beneficiary to be assessed (i.e. whether the aid has caused the beneficiary to take a different course of action, and how significant the impact of the aid has been). It should also provide an indication of the general positive and negative effects of the aid scheme on the attainment of the desired policy objective and on competition and trade, and could examine the proportionality and appropriateness of the chosen aid instrument.¹⁰

- (31) In the light of these considerations, Article 2(16) of the GBER defines "evaluation plan" as "*a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date of submission of the final evaluation report, the description of the independent body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation.*"¹¹
- (32) The Commission considers that the notified evaluation plan, as described in section 2 of this decision, contains these minimum elements, and was notified within 20 working days after Poland put the aid scheme into effect, in application of the GBER.
- (33) The evaluation plan gives a concise description of the key objectives of the scheme concerned, and provides sufficient information to understand the underlying 'intervention logic'. The scope of the evaluation is defined in an appropriate way. It also identifies and justifies pertinent result indicators that integrate the evaluation questions and explains the data collection requirements and availabilities necessary in this context.
- (34) The evaluation plan sets out and explains the main methods that will be used in order to identify the impacts of the scheme, and discusses why these methods are likely to be appropriate for the scheme in question. The proposed evaluation methodology sufficiently allows identifying the causal impact of the scheme itself.
- (35) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned and the relevant implementation periods for projects supported under the scheme.
- (36) The procedure and selection criteria for the selection of the evaluation body are appropriate to meet the independence and skills criteria.
- (37) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. The Polish authorities have confirmed that the evaluation plan and the final evaluation report will be published on the website www.mpit.gov.pl.

¹⁰ See the Staff Working Document cited in footnote 2 (section 2, second paragraph).

¹¹ Further guidance on evaluation plans is given in the Staff Working Document cited in footnote 2.

- (38) In view of the above, the Commission considers that the evaluation plan meets all requirements laid down in the GBER, is established in line with the common methodology proposed in the Staff Working Document, and is suitable given the specificities of the large aid scheme to be evaluated.
- (39) The Commission notes that the Polish authorities have committed to conduct the evaluation in accordance to the agreed evaluation plan in order to identify the causal impact of the scheme, undistorted by other variables that may have had an effect on the observed outcome.
- (40) The Commission will be informed with the shortest delay if some of the hypotheses made (e.g. on the availability of data) are not confirmed in practice thereby hindering the foreseen evaluation.
- (41) A mid-term evaluation report will be submitted to the Commission at the latest by June 2022. The final evaluation report will be submitted to the Commission by end 2027 at the latest.
- (42) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the exemption for the aid scheme for which the evaluation plan was submitted is applicable as of the date of notification of this decision to Poland.
- (43) Alterations to this scheme, other than modifications, which cannot affect the compatibility of the scheme under the GBER or cannot significantly affect the content of the approved evaluation plan, are pursuant to Article 1(2)(b) of the GBER excluded from the scope of the GBER.

4. CONCLUSION

The Commission has accordingly decided:

- to exempt the scheme under the GBER from the date of notification of this decision to Poland until 31 December 2020.
- to publish this decision on the Internet site of the Commission.

If this letter contains confidential information, which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission