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**Subject: State Aid SA.43142 (2015/N) – Poland.
Evaluation plan for "Regional investment aid scheme for the
competitiveness of SMEs under the regional programme 2014-2020"**

Sir,

1. PROCEDURE

- (1) By electronic notification of 22 September 2015 (2015/093388), 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 Regional investment aid scheme for the competitiveness of SMEs under the regional programme 2014-2020 (hereinafter: "Aid scheme for competitiveness of SMEs"), which it plans to implement until the end of 2020. This submission was registered as SA.43142 (2015/X).
- (2) The aid scheme was put into effect on 15 September 2015 pursuant to Article 1(2)(a) concerning the scope of application of the GBER and Chapter III, Section 1, concerning regional investment aid.
- (3) The aid scheme, with an average annual budget exceeding EUR 150 million constitutes a large scheme in the meaning of Article 1(2)(a) of the GBER. Under

¹ OJ L 187, 26.6.2014, p. 1.

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this provision, aid schemes are exempted only for 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.

- (4) In order to obtain that prolongation, Poland notified an evaluation plan for the scheme on 23 September 2015 which was registered by the Commission on the same day (2015/093928) under SA. 43142 (2015/N). By letters of 26 November 2015 (2015/130660), 4 February 2016 (2016/011816) and 17 February 2016 (2016/017061) the Commission asked for supplementary information. By letters of 29 December 2015 (2015/144247), 9 February 2016 (2016/013892) and 19 February 2016 (2016/018107) Poland provided the requested information.
- (5) By letter dated 1 February 2016 (2016/010545), Poland agreed to waive the rights conferred upon it by Article 342 TFEU and Article 3 of the Regulation (EC) No 1/1958² and to have the present decision adopted in the English language.

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

- (6) 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 evaluation³ (hereinafter: "Staff Working Document"), 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 criteria that will be used 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

- (7) The average annual budget of the Aid scheme for competitiveness of SMEs is approximately EUR 226 million. The duration of the aid scheme is 15/09/2015 – 31/12/2020. Detailed conditions and procedures for granting regional investment aid for strengthening the competitiveness of micro, small and medium-sized enterprises under the regional operational programmes for the period 2014 - 2020 are specified in Regulation of the Minister of Infrastructure and Development of 3 September 2015⁴.
- (8) The scheme's main goal is to increase the competitiveness of SMEs in Poland. Aid under the scheme will be granted under 16 regional operational programmes through the implementation of specific investment priorities (IPs) under Thematic Objective 3 specified in Regulation (EU) 1301/2013 of the European Parliament and of the Council. Aid will be mostly granted under Priority 3a (promoting

² Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

³ Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD(2014) 179 final.

⁴ Paragraph 2 to paragraph 13. Journal of Laws 2015, item 1377.

entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators) and Priority 3c (Supporting the creation and extension of advanced capacities for product and service development).

(9) The scheme provides support to micro, small and medium-sized enterprises (and their partnerships/associations), but also to higher education institutions, local government units, their unions, associations and alliances, business environment institutions, local action groups, entities which manage investment zones, in particular special economic zones and scientific institutions and their spin-offs (controlled by public research institutions). According to the information provided by Poland, 95% of the beneficiaries should be SMEs.

(10) The specific objectives of the interventions are:

- increasing enterprises' development investments,
- increasing the use of innovations, including process and product innovations,
- developing an efficient investment, infrastructural, financial, consulting and training environment,
- increasing support for the initial development stage of enterprises,
- creating or improving conditions for initiating, conducting and developing enterprises' activities,
- increasing the availability of areas which offer conditions for conducting business activities.

(11) The expected results of the scheme are:

- an increase in the level of investments of SMEs,
- an increase in the introduction of product, process and non-technological innovations in enterprises, as well as an increase in the efficiency and productivity enterprises,
- a broader range of products offered by enterprises, which will be able to compete on the global market,
- increased investment capacity of enterprises (which may be regarded as a form of incubation before becoming ready to implement highly innovative R&D tasks under another thematic objective),
- enterprises' increased demand for business environment institutions' services,
- professionalisation of business environment institutions' services, clusters and partnership initiatives,
- development of a highly innovative segment of the economy generating 'green' jobs and increased implementation of digital technologies,

- an increase in employment in enterprises which benefit from the support.
- (12) The "Aid scheme for competitiveness of SMEs" is co-financed by the European Regional Development Fund (ERDF). Funding will take the form of non-repayable support (grants).
- (13) Aid beneficiaries will be selected as a result of a competition procedure⁵ organised by the managing authority of the operational programme concerned or by an intermediate body if it has been entrusted with tasks in that area by the managing authority..

2.2. Evaluation questions and result indicators

- (14) The evaluation questions address both the direct impact of the aid on the beneficiaries and the indirect impact of the scheme (positive and negative externalities), as well as the proportionality and appropriateness of the scheme. The result indicators are linked to the evaluation questions and to the objectives of the scheme.
- (15) The direct impact of the aid on the beneficiaries will be addressed by the evaluation questions on the performance of the beneficiaries and on the incentive effect. In this regard, specific questions were established with the objective to assess to what extent the aid contributed to improving the performance of the aid beneficiaries (including a comparison with unsupported companies), to what extent the investment aid has encouraged the companies to increase their capital expenditure and whether the economic operator would have adopted a different approach in the absence of the aid scheme. The comparison will take appropriate account of any support received by beneficiaries and non-beneficiaries of the scheme that may have affected the result indicators analysed.
- (16) As regards the assessment of the direct impact of the aid on the beneficiaries, the chosen indicators will assess the evolution of the companies (beneficiaries and of the control group) in areas such as the creation of added value, productivity, employment and innovation.⁶
- (17) The indirect impacts of the aid scheme will be captured by studying the performance of unsupported companies. In general, the evaluation questions on the indirect impact of the aid scheme will focus on (i) the spill-over effects⁷ as well as (ii) the impact on competition and a potential crowding out effect⁸, and (iii) the extent to which the policy objectives are met.⁹

⁵ occasionally without a competition procedure provided that stringent criteria for obtaining support from EU funds as a result of a non-competition procedure are fulfilled

⁶ Indicators chosen among others: sales revenues, profits, productivity per employee, financial indicators (returns on assets, return on sales, productivity of assets), capital expenditure, employment, share of innovative enterprises, product innovations, export sales intensity, total R&D expenditure, cooperation with a scientific unit, innovation activity, introduction of product and process innovations, survival of enterprises.

⁷ Has the public aid programme contributed to positive indirect results for entities which are not covered by the aid?

⁸ Has the public aid programme contributed to the rising of negative indirect effects concerning the selection of beneficiaries which influenced competition, i.e. sectoral tendency (in the multi-sectoral

- (18) The data gathered on companies that are not covered by the scheme will also be used to assess the evaluation questions on the spill-over effects generated by the scheme. Along with the same result indicators that are used to assess the direct effects of the scheme, the following additional indicators will be included in the analysis of spillovers: individual groups of enterprises distinguished based on the length of their operation in the total enterprises which benefit from the aid; ii) shares of individual size groups of enterprises (micro, SME, large) in the total enterprises which benefit from the aid; iii) shares of individual sectors in the total amount of the aid provided.
- (19) Finally, as regards the answer to the objectives of the public policy, the indicators to be used are the following: i) GDP per capita in PPS (on the regional level); ii) employment rate (on the regional level); iii) capital expenditures in enterprises compared to GDP (on the regional level)
- (20) The evaluation questions on appropriateness and proportionality of the aid scheme will, in particular, address whether other aid instruments or means of intervention would have been more appropriate to achieve a given goal and whether the provided aid was proportional.

2.3. Envisaged methodology to conduct the evaluation

- (21) Different methodological approaches will be used. The Polish authorities intend to apply the most robust methodology where possible, but using alternative methods where necessary (mixed approach). The evaluation plan will therefore apply two types of impact evaluation methods: quantitative (i.e. counterfactual analysis) and qualitative.
- (22) The direct and indirect causal impact of the aid scheme on the beneficiaries will be identified by employing econometric methods (Difference-in-Difference, Propensity score matching and Regression discontinuity design). The analysis will primarily focus on the companies as level of observation and will take a robust counterfactual approach. The statistical analysis will make use of the broadest possible set of control variables (inter alia, company demographics, size, financial and other indicators). In the case of regression discontinuity design, the control group will be selected from among unsuccessful applicants based on the information obtained from the institutions managing regional operational programmes. Suitable entities will be identified based on a score obtained in tenders conducted in the course of the receipt of applications for funding, where the "threshold value" will be the minimum amount of points necessary to obtain funding.
- (23) For the identification of beneficiaries and non-beneficiaries, the evaluation is foreseen to rely upon the NIP and REGON identification numbers, based on the information obtained from the institutions managing regional operational programmes.

programme the majority of aid was given to one branch), and a bias towards settled entities (old enterprises to new enterprises ratio) and to what extent?

⁹ Has the programme contributed to the implementation of the goals of regional policies?

- (24) Beyond statistical analysis conducted on the micro-level using counterfactual methods, the analysis of the indirect effects will be complemented by theory-based impact evaluation (including interviews, focuses and case studies) and a systematic review of other evaluation studies. Supplementary micro-data to that provided by the Polish Central Statistical Office will be gathered among others from the following sources: i) Evaluation Study Base and Recommendation Implementation System and ii) original data obtained by the evaluator in the course of the study (e.g. questionnaire survey, individual interviews, focus groups). With regards to the assessment of whether the aid scheme allows to meet the objectives of the public policy, the analysis of micro data (company-level) might be complemented with macro data.
- (25) The assessment of proportionality and appropriateness of the aid will be examined by using qualitative analysis, mainly theory-based impact evaluation, expert opinions based on available quantitative and qualitative data, and potentially counterfactual analysis concerning the proportionality of aid.

2.4. Data collection requirements

- (26) The data necessary to carry out the evaluation will be obtained from the following four main sources: i) Cohesion policy monitoring system; ii) Databases of the Central Statistical Office (CSO); iii) Cohesion policy evaluation system; iv) Original data obtained by the evaluator during the study.
- (27) Ad i) Data on material progress contained in the operational programme monitoring system will be used during the evaluation. The system takes into account a broad range of monitoring indicators, including indicators relating to support for small and medium-sized enterprises. Data will be made available for the purposes of the study (inter alia, the data necessary for the evaluation process, such as Polish Classification of Activities (PKD) codes, Tax Identification Numbers NIP, Statistical Numbers REGON, contact details, information on State aid, etc.). Data contained in local databases administered by the managing authorities will also be used as part of the evaluation.
- (28) Ad ii) Data held by the CSO will be used to assess the effects of the support, in particular for the purposes of counterfactual analysis. A broad range of data contained in standard financial statements prepared by enterprises on an annual basis will also be used for the purposes of the study (e.g. employment level, exports, revenue, R&D expenditure, etc.). This will make it possible to select an optimal control group and assess the net effects of interventions.
- (29) Ad iii) Data gathered as part of the evaluation system, in particular data contained in the Evaluation Studies Database and the Recommendation Implementation System, will be used for the purposes of the study. A systematic review of evaluation studies carried out for the 2014–2020 cohesion policy programming period for interventions aimed at the development of the SME sector will be carried out on this basis.
- (30) Ad iv) The evaluator will supplement secondary data with the original data obtained during the evaluation process, *inter alia*, data from surveys, individual interviews and focus groups, etc. In the case of micro-enterprises for which the CSO does not have data, a survey will be conducted to collect the data needed for a counterfactual study.

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

- (31) In the course of 2017, the Steering group will be established, the details of the evaluation will be determined and the contractor responsible for the study will be chosen.
- (32) The Polish authorities have foreseen two milestones in the evaluation plan. A first (interim) report will be delivered in November 2018. The second (final) report will be ready in April 2020 and its results will be presented at a conference in May 2020. The final report will be submitted to the Commission at the latest by 30 June 2020.

2.6. Independent body selection to conduct the evaluation, or criteria for its selection

- (33) The evaluation will be carried out by an independent evaluator selected by the Minister for Infrastructure and Development in accordance with public procurement rules in April 2017. In order to ensure that the external evaluator has the required knowledge and experience to conduct the study, the contractor must fulfil the following criteria:
- within the last three years preceding the deadline for tender submission (and if the contractor has been conducting economic activity for a shorter time – during this period), the contractor duly provided two services with a value not lower than PLN 100 000 gross each which involved the performance of an evaluation study concerning support granted to enterprises from public funds under the EU cohesion policy,
 - the contractor must demonstrate that it has or will have an evaluation team which will be involved in the performance of the contract, including one person that has been in charge of two evaluation studies with a value not lower than PLN 100 000.00 gross each concerning support granted to enterprises from public funds, and three persons who have experience in applying evaluation methods concerning support granted to enterprises from public funds (each of them has been involved in at least two evaluation studies with a value not lower than PLN 100 000 gross each), including one person who has experience in applying counterfactual evaluation methods as part of two evaluation studies with a value not lower than PLN 100 000 gross each.
- (34) The performance of the evaluation will be systematically monitored and coordinated by the Steering group that will be set up by the Minister for Infrastructure and Development. The following entities will be invited to participate in the Steering group: representatives of local and regional authorities (ROP managing authorities); representatives of the central administration (Ministry of Development, the Polish Agency for Enterprise Development, the Office of Competition and Consumer Protection); representatives of the Central Statistical Office; representatives of the beneficiaries and social partners (non-governmental organisations, employers' organisations and representatives of the SME sector); external experts; representatives from academia.

- (35) The Commission stresses the importance for the selection of the independent evaluator to fully take into account the soundness of the evaluator's concept regarding the causal identification of the direct and indirect impact of the aid.

2.7. Modalities for ensuring the publicity of the evaluation

- (36) All information on the evaluation of regional investment aid, including the evaluation plan, the methodological report, the final report and supplementary materials (such as multimedia presentations), will be available on the Ministry of Infrastructure and Development's website.¹⁰
- (37) The results of the study will be presented at an evaluation conference scheduled for May 2020. The major stakeholders in the scheme, including representatives of the regions, social partners (*inter alia*, employers' organisations), representatives of the beneficiaries, as well as experts and representatives of the scientific community will be invited to participate in the conference. The results of the study will also be presented and discussed in specific regions, as necessary.
- (38) The conclusions and recommendations from the evaluation of State aid will be analysed and will be disseminated and implemented, *inter alia*, through the Recommendation Implementation System for cohesion policy.

3. ASSESSMENT OF THE EVALUATION PLAN

- (39) The correct application of the GBER is the 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.
- (40) Pursuant to Article 1(2)(a) GBER, certain aid schemes¹¹ in the meaning of Article 2(15) GBER, if their average annual State aid budget exceeds EUR 150 million, should be made subject to evaluation. The Commission notes that the annual average budget of the aid scheme concerned (i.e. approximately EUR 226 million) exceeds EUR 150 million as set in Article 1(2)(a) GBER. Chapter I and section 1 (Article 14) of Chapter III of the GBER constitute the legal basis for the aid scheme to benefit from the exemption from notification provided for in Article 108(3) of the TFEU.
- (41) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required "*[I]n view of the greater potential impact of large schemes on trade and competition*". The required "*[E]valuation should aim at verifying whether the assumptions and conditions underlying the compatibility of the*

¹⁰ <https://www.mr.gov.pl/>

¹¹ 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) GBER). 'Aid scheme' means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount (Article 2(15) GBER).

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." State aid evaluation should in 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.¹²

- (42) In the light of these considerations, Article 2(16) of the GBER defines as evaluation plan "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."¹³
- (43) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains these minimum elements outlined in Article 2(16) of the GBER.
- (44) 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. The Commission notes that the evaluation plan also describes possible constraints and risks that might affect the scheme's objectives and hence the expected effects.
- (45) The evaluation questions are designed in a way as to assess the direct effect of the scheme on the beneficiaries compared to non-beneficiaries (i.e. non-supported applicants or non-applicants) in order to measure the incentive effect of the scheme. The evaluation questions addressing the indirect impact are linked to the specificities of the aid scheme, whose main objective is fostering competitiveness of SMEs. The evaluation questions on negative effects are likely to capture the dynamic potential negative effects of the scheme on the performance of non-beneficiaries (both rejected applicants and non-applicants). The evaluation questions on appropriateness and proportionality are also suitable.
- (46) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned, and explains the data collection requirements and availabilities necessary in this context. The data sources to be used for the evaluation are described clearly and in detail. The Commission notes that the external evaluator will be allowed to complement the existing data by surveys or interviews of aid beneficiaries.

¹² See the Staff Working Document cited in footnote 3 above (footnote 3, section 2, second paragraph).

¹³ Further guidance on evaluation plans is given in the Staff Working Document cited in footnote 3 above.

- (47) 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.
- (48) 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.
- (49) The proposed criteria for the selection of the evaluation body on the basis of an open tender meet the independence and skills criteria.
- (50) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of the commitment to disseminate and make publicly available the results of the evaluation report to stimulate policy debate.
- (51) 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.
- (52) The Commission notes the commitment made by the Polish authorities to conduct the evaluation according to the plan described in the present decision and to inform the Commission of any element that might seriously compromise the implementation of the plan. The Commission also notes the commitment by the Polish authorities to fulfil the obligation to submit the final evaluation report at the latest by 30 June 2020.
- (53) 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 prolonged beyond the initial six months until 31 December 2020.
- (54) 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, and must therefore be notified to the Commission.

4. CONCLUSION

- (55) After having assessed the evaluation plan notified by Poland, the Commission has accordingly decided:
- 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 will continue to apply to the "Regional investment aid scheme for the competitiveness of SMEs under the regional programme 2014-2020" until 31 December 2020.
 - This Decision will be published.
- (56) Finally, the Commission notes that Poland agreed to have the present decision adopted in the English language.

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

