

## Part III.8 – Supplementary Information Sheet for the notification of an evaluation plan

*Member States must use this form for the notification of the evaluation plan in accordance with Article 1 paragraph. 2(a) of Regulation (EU) No 651/2014 and, in<sup>1</sup>the case of a notified aid scheme under assessment, as set out in the relevant Commission guidelines.*

*Please refer to the Commission Staff Working Document “Common methodology for State aid evaluation”<sup>2</sup> for guidance on the drafting of an evaluation plan.*

### 1. Identification of the aid scheme to be evaluated

- (1) Title of aid scheme:  
Regional aid scheme for certain enterprises for a new investment
- (2) Does the evaluation plan concern:
  - a)  a programme subject to evaluation in accordance with Article 1. 2(a) of Regulation (EU) No 651/2014?
  - b)  the scheme notified to the Commission in accordance with Article 108(1). 3 TFEU?
- (3) Reference of the scheme (to be completed by the Commission):
- (4) Please list any existing ex-ante evaluations or impact assessments for the aid scheme and ex-post evaluations or studies conducted in the past on predecessors of the aid scheme or on similar schemes. For each of those studies, please provide the following information: (a) a brief description of the objectives of the study, the methods used, the results and conclusions and (b) the specific challenges that may have arisen in evaluations and studies from a methodological point of view, e.g. the availability of data that are relevant for the evaluation of this evaluation plan. If appropriate, please identify relevant areas or topics not covered by previous evaluation plans that should be subject of the current evaluation. Please provide the summaries of such evaluations and studies in annex and, when available, the Internet links to the documents concerned.

The 1994 SEZ Act aimed primarily at supporting the process of economic transformation, in particular by accelerating economic development in certain

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<sup>1</sup>

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 L 187, 26.6.2014, p. 1).

<sup>2</sup> SWD(2014)179 final of 28.5.2014.

parts of the territory of the country (see Articles 3(2) and 5-7 of the SEZ Act), and its instruments were adapted to the constitutional, economic and economic realities of the early 1990s, including the phenomenon of high unemployment (supply of labour) and the incomplete use of industrial infrastructure in the form of industrial plants that emerged after the start of the transition process. Poland had to redefine and create an industry capable of operating under market conditions. At the same time, technological delays, as well as a shortage of domestic capital, forced the need to bring foreign direct investment to Poland. The legal instruments introduced by the SEZ Act aimed to achieve these objectives, combat unemployment and activate unused industrial infrastructure.

Amendments to the SEZ Act and its implementing regulations were also undertaken between 2008 and 2015. According to the evaluation plan adopted by the Commission in 2015, a comprehensive evaluation of this instrument is yet to be planned.

the law was prepared on the basis of consultations with investors and SEZ boards in Q2-2017.

A document entitled 'Assessment of the effects of the regulation' was drawn up in the course of the work on the law. The main effects of the regulation on businesses are the possibility of obtaining a tax exemption and stimulating and encouraging investment activities. According to the IA, the estimated number of entities potentially benefiting from the Act is between 8-12 thousand entrepreneurs. The new regulation provides for the granting of State aid in the form of a tax exemption for the implementation of a new investment throughout Poland and not in the designated area of the Special Economic Zone. The conditions for receiving aid will depend, inter alia, on the unemployment rate in the district and adapted to the size of the enterprise.

## 2. Objectives of the aid scheme to be evaluated<sup>3</sup>

**2.1.** Please provide a description of the aid scheme specifying the needs and problems the scheme intends to address and the intended categories of beneficiaries, for example size, sectors, location, indicative number.

The current Special Economic Zones (SEZs) operate on the basis of the Special Economic Zones Act of 20 October 1994 (Journal Of Laws 2017, item 1010), hereinafter referred to as the 'Sse Law'. The main objective of the creation of the ESS was to stimulate investment and eliminate high structural unemployment.

At the end of December 2017, entrepreneurs held 2349 valid permits to operate on their premises, the accumulated value of the capital invested was close to PLN 106.6 billion and investors employed a total of over 353 thousand employees. The large number of companies seeking an

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<sup>3</sup> Beyond providing a general description of the objectives and eligibility rules of the scheme, the aim of this section is to assess how the eligibility and exclusion rules of the scheme may be used to identify the effect of aid. In some cases, the precise eligibility rules may not be known in advance. In those cases the best available expectations should be provided.

income tax exemption shows investors' interest in this form of aid. The positive experience with their operation shows the need to maintain a tool based on tax credits for entrepreneurs declaring new investments and creating new jobs. The tax exemption instrument, compared to alternative investment stimulation tools such as grants or loan guarantees, is highly efficient while minimising risks on the state side. This is due to the nature of the tax incentives, which can only be extended to companies actually making investments and generating profits.

Over the years, the instrument has not been adapted to changing economic needs and challenges. It is therefore appropriate to implement the new concept of investment support under the tax exemption instrument. The main problems are:

1. Complex and lengthy procedure for the integration of new sites into the boundaries of the zones without taking into account territorial cohesion

An important barrier to the use of tax exemptions for new investments, in particular for entrepreneurs planning smaller investments and Polish entrepreneurs, is the link between the possibility of obtaining an exemption and investment carried out in a pre-defined organisational area, i.e. in the SEZ (in 2003-2017, the total area of the zones increased from around 6 000 ha to approx. 22 660.7 ha). The procedure for extending the territory of the SEZ by means of a Cabinet Regulation is complicated and time-consuming. The different sub-zones belonging to a single zone are scattered across 3-4 voivodships sometimes not adjacent to each other. In many areas, there is no logical subordination to a specific management company, which gives an impression of accidentality.

2. Time limit for the operation of zones

Under the current rules, the SEZs will be operational until the end of 2026, with the end date of the zones having already been amended twice. The change of that date falls within the competence of the Council of Ministers at the request of the minister responsible for the economy. From the point of view of the investor, this creates uncertainty as to the duration of the period during which he can benefit from State aid. As we approach the end-date, Poland's attractiveness decreases

3. Zones have proven to be insufficient instruments of impact for sustainable development.

From the beginning of their existence, the zones have been presented as an instrument of regional development that will channel the stream of investment to less economically developed areas. In fact, it turned out that the possibility of obtaining more aid, e.g. in the Eastern Polish voivodships, is not channelled there – these are the voivodships where the zones and thus investment are the slowest.

**2.2.** Please indicate the objectives of the scheme and the expected impact, both at the level of the intended beneficiaries and as far as the objective of common interest is concerned.

**The aim of the law is to stimulate the growth of private investment, which will contribute to:**

- (1) the development of innovative economic activities;
- (2) the creation of new stable jobs for highly skilled workers;
- (3) the development of new technical and technological solutions and their use in the national economy;
- (4) increasing the competitiveness of manufactured products and services provided;

- 5) the development of exports;
- 6) halt the growth of regional disparities.

The Act on support for new investments introduces a new mechanism to support entrepreneurs in undertaking new investments in the territory of the Republic of Poland. The arrangement provides for support for new investments in the form of an incometax exemption (respectively in accordance with the rules laid down in the Corporate Income Tax Act of 15 February 1992 (Journal Of Laws 2017, item2343, as amended) or in the Personal Income Tax Act of 21 July 1991 (Journal of Laws 2017, item 2343, as amended) Journal of Laws 2016, item 2032, as amended) and information services provided free of charge by entities responsible for supporting new investments, i.e. zone management companies pursuant to the Special Economic Zones Act of 20 October 1994 (hereinafter: 'SEZ Act'; i.e. *OJ Journal of Laws 2015, item 282, as amended*). The support will replace the support already existing under the Law on Special Economic Zones.

Regulations respond to the need to adapt the rules and modalities for supporting new investments to changing socio-economic realities. One of the expected outcomes of government policies is sustainable economic development and territorially balanced development. This means focusing on the development of all territories by strengthening their endogenous potential and development factors, removing barriers and involving regions facing restructuring and adaptation difficulties, medium-sized cities losing socio-economic functions and other towns and villages located in districts where unemployment exceeds 160 % of the national average. The support scheme designed by the Act in the form of the right to receive an income tax exemption for an entrepreneur will be an important and effective tool to encourage entrepreneurs to invest throughout the country.

### **Theory of change**

The mechanism for achieving the objectives of the Facility is also presented in the form of the Initial Theory of Change. Theory of change is a heuristic tool used in the Theory-Based Evaluation approach. This approach will be applied jointly with the Impact Evaluation Methodology in the design study. Together, both approaches will make it possible to verify whether the regulation works and what mechanism is behind it (see section 5 for more details).

The theory of regulatory change is set out in Figure 1 – the arrows system shows the expected main causal interactions between the various elements of the adopted theory of change. On the other hand, digits are marked with assumptions, which are crucial to the existence of a relationship. These assumptions are described below.



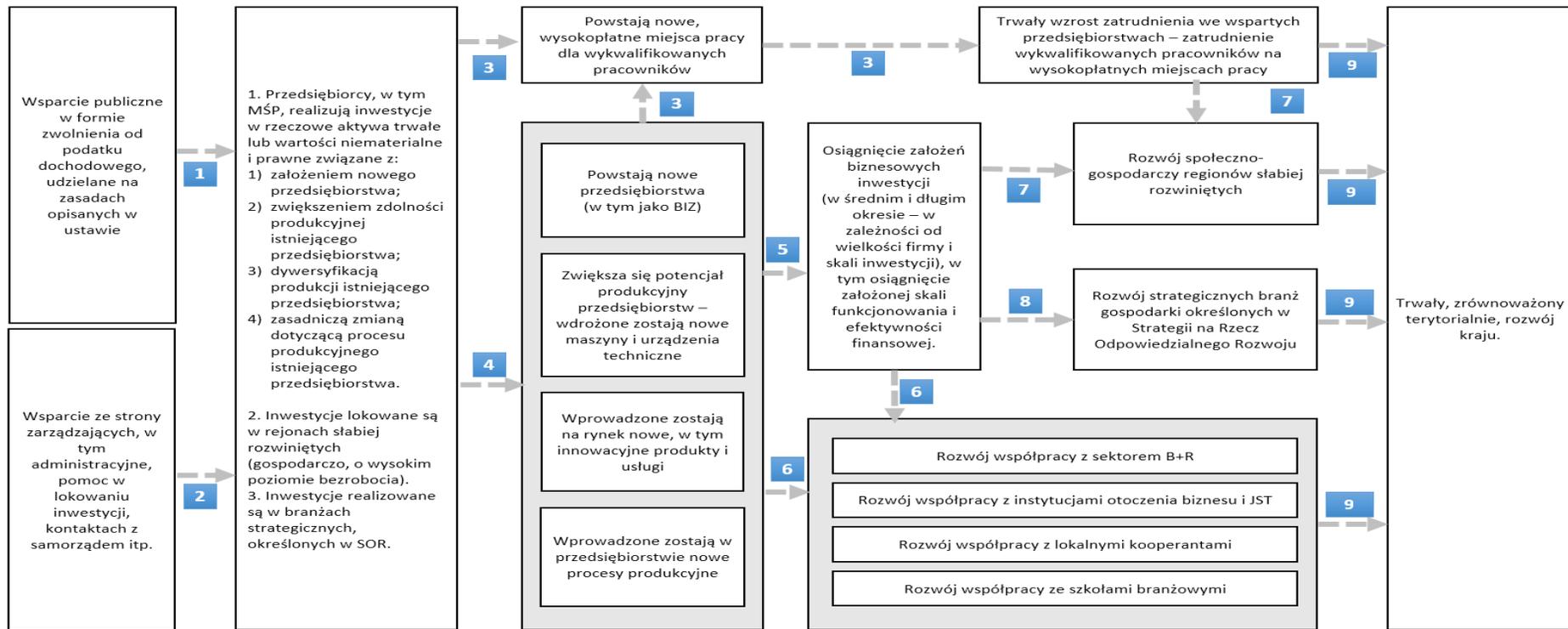


Figure 1. Initial theory of amendment for the Act on Supporting New Investments

Source:

in-house

study

### **Assumptions of the Amendment Theory<sup>4</sup>.**

The relationship between the different elements of the Transformation Theory is set out below. At the same time, the main assumptions that need to be met in order for the relationship to occur are set out.

#### **Coverage: 1. Support in the form of income tax exemption results in investments in enterprises**

—> **the main assumptions needed for the relationship:**

1.1 The State aid mechanism is attractive from a business perspective (there is a positive cost-benefit balance).

1.2 Firms, including in particular SMEs, have sufficient potential to undertake investments in accordance with the rules laid down in the Act.

1.3 The rules for providing support and project selection criteria make it possible to eliminate projects that would have been carried out in the same scope, scale, time and location, irrespective of the public support provided.

#### **Debriefing 2. Support from area managers supports the implementation of investments by enterprises**

—> **the main assumptions needed for the relationship**

2.1 The managers are proactive towards entrepreneurs.

2.2 Managers have sufficient resources and capacity to provide business support services.

2.3 Enterprises are interested in the support of the Managing Authorities.

#### **Debriefing 3: The investment leads to the creation of new high-paid jobs for skilled workers**

—> **the main assumptions needed for the relationship:**

3.1 Availability of personnel with the competences required by companies.

3.2 Availability of long-term and short-term finance in supported enterprises to cover employment costs.

3.3 Economic justification for hiring additional persons in the company.

3.4 A stable macroeconomic situation.

**Overview 4: The implementation of an investment in a company shall be completed by the achievement of the intended result, including: (a) setting up a new business (including FDI); (b) an increase in the production capacity of an existing undertaking; (C) diversification of the production of an existing undertaking;**

**(D) a fundamental change in the production process of an existing undertaking.**

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<sup>4</sup> A number of assumptions may be assigned to one designation in Figure 1.

-> **main assumptions needed for the relationship:**

4.1 Sufficient own capacity of the supported companies (financial and substantive, including, for example, innovation activities) to implement a given type of investment.

**Coverage 5: Investments made in the medium and long term (depending on the size of the firm and the scale of the investment) translate into the financial performance of the supported companies, leading to the achievement of the business objectives of the investment, including the scale of operation and the desired financial efficiency.**

—> **the main assumptions needed for the relationship:**

5.1 Appropriate identification of the investment needs of the firm.

5.2 Appropriate choice of technological, organisational, etc. solutions for the intended purposes.

5.3 Appropriate market analysis, including on the demand for new products and services delivered as a result of the implementation of the investment.

5.4 Compliance with the objectives set out in the business plan.

5.5 A stable macroeconomic situation.

**Relationship 6. Investments in supported firms and the resulting growth of enterprises also contribute to the development of cooperation with:**

- a) **The R & D sector;**
- b) **BSIs and JSTs;**
- c) **Local co-operatives;**
- d) **Vocational schools.**

—> **the main assumptions needed for the relationship:**

6.1 The investment plan provided for the development of such cooperation.

There is an economic justification for such cooperation.

6.3 The organisational framework for such cooperation exists or has been established.

**Coverage 7. New jobs in supported companies, the development of these companies and their co-operatives have an impact on the development of economically less developed areas.**

—> **the main assumptions needed for the relationship:**

7.1 Project selection system and support rules reward and make the implementation of investments in less developed regions economically viable.

7.2 Firms invest in less developed regions.

7.3 The number, scale and effects of the implemented investments reach an appropriate critical mass, relative to the size of the region.

7.4 The number of employees in the supported enterprises reaches an appropriate critical mass in relation to the size of the regions in which the investment was carried out.

**Report 8. The development of supported enterprises translates into the development of strategic economic sectors as defined in the Strategy for Responsible Development.**

**-> main assumptions needed for the relationship:**

8.1 The project selection system and support rules reward and make it profitable to invest in companies active in the strategic economic sectors defined in the SOR.

8.2 Firms of the strategic economic sectors identified in the Strategy for Responsible Development benefit from the support offered and carry out investments linked to their business.

**Coverage 9. The development of companies supported by regulation and the subsequent development of selected economic sectors and regions leads to a sustainable, territorially balanced development of the country.**

**—> the main assumptions needed for the relationship:**

9.1 A stable macroeconomic situation.

9.2 The scale, number and effects of regulatory investments achieve an appropriate critical mass on a country-wide basis.

It should be noted that both the Theory of change itself and the underlying assumptions are, of course, a simplification of reality. The actual number of relationships and underlying assumptions is broader. Moreover, it is not excluded that changes will be made during the implementation of the instrument that will change the general theory of change presented in the plan. In this situation, it will be necessary, at the stage of carrying out the relevant evaluation study, to verify the extent to which the theory presented in the plan is up-to-date and by which date it should be modified. This will be one of the tasks of the evaluator, as reflected in the research questions.

- 2.3.** Please indicate the possible negative effects on the beneficiaries of the aid or on the wider economy that may be directly or indirectly linked to the aid scheme<sup>5</sup>.

No negative effects of the support are expected at this stage. As a general rule, any interested entrepreneur (beyond the sector-specific exclusions specified in the regulations) will be able to apply for support.

- 2.4.** Please indicate (a) the planned annual budget of the scheme, (b) the planned duration of the scheme<sup>6</sup>, (c) the aid instrument(s) and (d) the eligible costs.

Average annual budget of the aid scheme

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<sup>5</sup> Examples of negative effects are regional and sectorial biases or crowding out of private investments induced by the aid scheme.

<sup>6</sup> Aid schemes as defined in Article 1 (1). Point (a) of Regulation (EU) No 651/2014 is excluded from the scope of the Regulation six months after its entry into force. After having assessed the evaluation plan, the Commission may decide to extend the application of the Regulation to such schemes for a longer period. Member States are invited to precisely indicate the intended duration of the scheme.

The scheme does not involve expenditure from the State budget and the budgets of local government units other than the creation and maintenance of the Investment Register Database. Due to the idle effect of the project, one of the effects of the project may be a reduction in the revenue of the State budget. The transfer of funds (from tax to retained funds in the company) will mean a loss in the tax revenues of the public finance sector. The cost of setting up the Investment Base (Recording of support for new investment) will come at a cost of around PLN 200 thousand in the first year. The source of funding will be the budget of the Minister responsible for economic affairs. In future years, maintaining the Registry Base will cost approximately PLN 100 thousand.

At the same time, the estimated value of the tax credits will be more than 2.9 billion per year. Over the 10-year period, it represents PLN 29 billion, of which more than 18 billion in the micro, small and medium-sized enterprise sector.

- 2.5.** Please provide a summary of the eligibility criteria and the methods for selecting the aid beneficiaries. In particular, please describe the following: (a) the methods used for selecting the beneficiaries (e.g. scoring), (b) the indicative budget available for each group of beneficiaries, (c) the likelihood of the budget being exhausted by certain groups of beneficiaries, (d) scoring rules when applying a scoring to the scheme, (e) aid intensity thresholds, (f) criteria that the granting authority will take into account when assessing applications.

Support will be granted on the basis of quantitative and qualitative criteria, which are described in detail in the Regulation on State aid granted to entrepreneurs carrying out economic activities in the areas. The quantitative criteria refer, inter alia, to issues related to the level of unemployment in the district. Qualitative assessment of the project is a qualitative assessment of the project, including its potential impact in terms of job creation, sectoral specificities, planned cooperation with scientific bodies, etc. The period of validity of the support decision shall be set at 10, 12 or 15 years. It refers to the project and the specific location recorded in the support decision:

- 1) investments in regions with a state aid intensity of up to 25 % by the Regulation of 30 June 2014 on the establishment of the regional aid map for 2014-2020 receive support over a period of 10 years.
- 2) investment in regions with a public aid intensity of between 25 % and 35 % over a period of 12 years.
- 3) investment in regions with a public aid intensity of between 35 % and 50 % over 15 years
- 4) investment is supported over a period of 15 years in an area which is located within the Special Economic Zone.

- 2.6.** Please mention specific constraints or risks that might affect the implementation of the scheme, its expected impacts and the achievement of its objectives.

From the point of view of achieving the objectives of the intervention, the risks associated with the deterioration of the overall macroeconomic situation, the economic

downturn, resulting in a limited interest of companies to benefit from support, and in particular the lack of investments with higher investment risks (e.g. in less developed areas, innovative, ambitious projects, etc.) remain key.

### 3. Evaluation questions

- 3.1.** Please indicate the specific questions that the evaluation should address by providing quantitative evidence of the impact of aid. Please distinguish between (a) questions related to the direct impact of the aid on the beneficiaries, (b) questions related to the indirect impacts and (c) questions related to the proportionality and appropriateness of the aid. Please explain how the evaluation questions relate to the objectives of the scheme.

The evaluation questions arise directly from the amendments to the regulation described and described in section 2 of the Theory Plan. In the first place, the evaluation questions relate to issues relating to the quantitative effects of the regulation. In this context, the key question is whether the intervention in question works, i.e. whether its objectives have been achieved. The questions formulated with regard to the effectiveness of the interventions are divided into those related to direct effects – occurring at the level of the supported enterprises – and those related to indirect effects, the environment of the beneficiaries of the support, or linked to the general objectives of the regulation. In this context, the evaluation will in particular assess the extent to which the support provided to entrepreneurs has had an impact on the expected recovery of less developed regions. The third group of questions relates to the verification of the assumptions made. As indicated in section 2, these assumptions condition the achievement of the expected effects or, in other words, whether they are met depends on whether the changes adopted by Theory have actually materialised. The replies to questions relating to the assumptions of the intervention will make it possible to answer the general question – why did the intervention work in the given way? The answers to these questions will be particularly valuable in the context of possible amendments to the Regulation in future.

## 1. Evaluation Questions

### 1.1. Direct effects

- 1.1.1. How many firms have invested as a result of regulatory support, including a breakdown by firms incurring:
- 1.1.1.1. R & D activities (including internal and external expenditure).
  - 1.1.1.2. fixed assets (including land, buildings and premises, machinery and technical equipment).

- 1.1.1.3. intangible assets.
- 1.1.2. What is the amount of capital expenditure incurred by the firm as a result of the support provided?
- 1.1.3. How many jobs have been created in supported companies as a result of the support provided?
- 1.1.4. How many permanent jobs (beyond the shelf life) were created in supported companies as a result of the support provided?
- 1.1.5. What is the impact of the support on the average wage of the companies supported? Of which:
  - 1.1.5.1. On the remuneration of the employment relationship?
- 1.1.6. What is the impact of the support on business benefits provided to employees, including:
  - 1.1.6.1. Expenditure on training of staff;
  - 1.1.6.2. Health care expenditure.
- 1.1.7. What has been the impact of the support received, after the completion of the investment, on the financial soundness of the firm in terms of indicators such as:
  - 1.1.7.1. Total sales revenue;
  - 1.1.7.2. Revenue from export sales;
  - 1.1.7.3. Operating profit;
  - 1.1.7.4. Value of fixed assets.
- 1.1.8. The impact of the support obtained, after the completion of the investment, on the level of innovation of enterprises. In particular:
  - 1.1.8.1. What is the share of beneficiary firms through the support for investment in innovation activities?
  - 1.1.8.2. What is the impact of the support provided on the value of investment in innovation activities?
- 1.1.9. What impact of the support provided, after the investment was made, on the value of the holding of:
  - 1.1.9.1. fixed assets (including land, buildings and premises, machinery and technical equipment)
  - 1.1.9.2. intangible assets.

If the size of the analysed populations and sub-groups allows, the above questions should be answered taking into account the following analytical sections:

- a) Company size (1. SMEs, 2. large enterprises);
- b) Location of the company (1. Areas with unemployment levels below the national average; 2 Areas with an unemployment level equal to and above the national average).

## **2. Indirect effects**

- 2.1. Has the support provided improved the situation of less developed regions in terms of indicators such as unemployment rates and average wages?
- 2.2. How many jobs have been created through support in less developed areas?
- 2.3. How many new firms have been set up in areas where regulatory-supported entities have invested.
- 2.4. In connection with the investments made, did the supported entities establish or intensify cooperation with:
  - 2.4.1. local enterprises/partners;
  - 2.4.2. Entities in the R & D sector;
  - 2.4.3. BSIs and JSTs;
  - 2.4.4. Vocational schools.
- 2.5. What is the impact of regulation on the development of individual strategic economic sectors listed in the SOR?

## **3. Regulation assumptions**

- 3.1. How many enterprises benefited from the Regulation in each year of its functioning?
- 3.2. Were there any amendments to the Regulation during the period covered by the analysis, and if so, what kind of changes, and what impact did they have on the use of the support and on the Regulation's overall theory of change?
- 3.3. How do enterprises assess the attractiveness of the mechanism of public support provided for by the Regulation – to what extent does it encourage enterprises to make an investment?
- 3.4. What is the potential of the supported enterprises to implement investments, taking into consideration factors such as:
  - 3.4.1. the size of the enterprise,
  - 3.4.2. the scale of its operations,
  - 3.4.3. financial results,
  - 3.4.4. employment figures,
  - 3.4.5. experience in using public support, including from the Structural Funds and under regulations linked to the functioning of special economic zones,
  - 3.4.6. Origin/ownership interest of the investor,
  - 3.4.7. The enterprise's level of innovation, measured by the value of expenditure incurred on development works;
  - 3.4.8. Main activity according to NACE;
- 3.5. Which factors were key to the chances of receiving support?
- 3.6. Taking into consideration the rules for granting support and the project assessment criteria – did these allow the elimination of projects that would have been

- implemented in the same extent, scale, time period and location, regardless of the public support provided?
- 3.6.1. Which qualitative criteria were fulfilled by enterprises the most often?
  - 3.6.2. Which quantitative criteria were fulfilled by enterprises the most often?
  - 3.6.3. Were criteria fulfilled by enterprises in accordance with the legislator's intention?
- 3.7. What was the role of particular managers in charge of specific areas in the investment's implementation process? Did their participation have an impact on the form, extent or location of the implemented investments?
  - 3.8. Do managers have sufficient resources and capacity to provide business support services?
    - 3.8.1. Are enterprises interested in support from the managers, beyond formal issues linked to the granting of the support (i.e. cooperation in selecting the location for the investment, intermediation in relations with local authorities, establishing cooperation with other entities, etc.)?
    - 3.8.2. Are the evaluated investment selection criteria compliant with the objectives of the Regulation?
    - 3.8.3. Were criteria formulated correctly, i.e. are they clearly and precisely defined, and easy to verify/unambiguous (both for evaluators and applicants)? Are they accurately (correctly and sufficiently) defined?
    - 3.8.4. Do the evaluation criteria allow the selection of projects for support that contribute to the greatest extent to the implementation of the Regulation's objectives? If not, what are the reasons for this? In particular, in what way do the criteria translate into:
      - 3.8.4.1. *Implementation of investments in less developed areas?*
      - 3.8.4.2. Implementation of investments by enterprises active in strategic sectors?
    - 3.8.5. Is the adopted manner of scoring/weighting of individual criteria appropriate, i.e. does it emphasise the relevance of individual criteria in the project selection process?
    - 3.8.6. Which criteria have proven to be the most crucial for obtaining or not obtaining support (most selective)? Did the most selective criteria apply more to verifiable facts or to declarations by applicants?
    - 3.8.7. Is the number of criteria sufficient, or is it too large or small? If the number of criteria is inappropriate, then for what reason? What should possibly be improved? What criteria are unnecessary and which should be added?
  - 3.9. How many and which implemented investments would qualify as foreign direct investments?

- 3.10. What is the territorial distribution of the implemented investments, taking into consideration the socio-economic development of the areas (municipalities/districts) where they were implemented?
  - 3.10.1. What is the share, scale and importance of the investments in less developed areas, in particular areas with unemployment above the national average and towns that are losing economic and social functions?
- 3.11. In what locations – taking into consideration socio-economic development – were foreign direct investments made?
- 3.12. What did the implemented investments consist of? In particular, did they consist of the following:
  - 3.12.1. The establishment of a new enterprise;
  - 3.12.2. The expansion of an existing enterprise (increase in production potential, placing of new products/services on the market, introduction of new production processes at the enterprise);
- 3.13. Did the investment result in:
  - 3.13.1. The purchase, installation and start-up of new machinery and technical equipment? What is its average share and importance in the enterprise's overall production?
  - 3.13.2. The placing of new products and services on the market? What is their average share and importance in the enterprise's overall sales?
- 3.14. The implementation of a new production process at the enterprise? What is its significance for the enterprise?
- 3.15. How many and what jobs – taking into consideration the position, required competences and remuneration amounts – were created in supported entities?
- 3.16. Did enterprises have any problems with the availability of staff with the required competences? To what extent did they manage to implement their plans in terms of assumed employment figures?
- 3.17. Do the supported enterprises have the financial capacity to increase employment (in the short and long-term perspective)? To what extent does the potential increase in salary costs condition the implementation of the enterprise's planned investments?
- 3.18. To what extent did the investments planned in connection with the support require an increase in employment? Do enterprises see a need for a further increase in employment after the implementation of the investment?
- 3.19. Taking into consideration the effects of the implemented investments:
  - 3.19.1. Were enterprises' investment projects based on accurate identification of their investment needs?
  - 3.19.2. Did enterprises make the right choices in terms of technological, organisational and other solutions for attaining their objectives? Is the acquired machinery and

technological equipment in full use in the production process? Did the implemented production processes translate into increased productivity?

3.19.3. Did enterprises perform accurate market analysis, including in relation to demand for new products and services delivered as a result of the investment? Are the new products and services finding buyers to the extent assumed at the business plan stage?

3.20. Do the supported enterprises cooperate with:

3.20.1. local enterprises/partners;

3.20.2. Entities in the R & D sector;

3.20.3. BSIs and JSTs;

3.20.4. Vocational schools.

3.21. What does this cooperation consist of?

3.22. Was there an intensification in the level of cooperation between supported enterprises and their local partners? Was this related to the implementation of the investment supported under the Regulation?

3.23. In what way did macroeconomic and regulatory factors influence the implementation of the investment?

#### 4. Results indicators

**4.1.** Please use the following table to describe which indicators will be built to measure outcomes of the scheme, as well as the relevant control variables, including the sources of data, and how each result indicator corresponds to the evaluation questions. In particular, please mention (a) the relevant evaluation question, (b) the indicator, (c) the source of data, (d) the frequency of collection of data (for example, annual, monthly, etc.), (e) the level at which the data is collected (for example, firm level, establishment level, regional level, etc.), (f) the population covered in the data source (for example, aid beneficiaries, non-beneficiaries, all firms, etc.):

##### 1.1. Indicators related to the measurement of direct effects:

1.1.1. Share of firms that have invested in the period and after the investment, including expenditure on:

1.1.1.1. R & D activities (including internal and external expenditure).

1.1.1.2. fixed assets (including land, buildings and premises, machinery and technical equipment)

1.1.1.3. intangible assets.

1.1.2. Value of expenditure incurred in:

1.1.2.1. The development work completed,

1.1.2.2. Fixed assets (including land, buildings and premises, machinery and technical equipment),

- 1.1.2.3. Intangible assets,
- 1.1.3. Number of employees in enterprises that have made investments supported by the regulation.
- 1.1.4. The value of the average salary.
- 1.1.5. The value of the average wage from the employment relationship.
- 1.1.6. Value of average expenditure on training of employees, per employee.
- 1.1.7. Average health expenditure per employee in firms.
- 1.1.8. Total sales revenue.
- 1.1.9. Value of revenue from export sales.
- 1.1.10. Share of firms making profit from business activities.
- 1.1.11. The value of profit from economic activities.

## **2. Indicators related to the measurement of indirect effects**

- 2.1. Unemployment rate at district level.
- 2.2. Average value of salaries at district level.
- 2.3. Number of employees at municipal and district level.
- 2.4. Number of registered unemployed at municipal and district level.
- 2.5. Number of companies by size, at municipal and district level.
- 2.6. Participation of beneficiaries working with local cooperation.
- 2.7. Share of beneficiaries working with R & D sector entities.
- 2.8. Participation of beneficiaries cooperating with BSIs.
- 2.9. Participation of beneficiaries cooperating with JUs.
- 2.10. Participation of beneficiaries working with industry schools.
- 2.11. Participation of strategic sector representatives among the entities supported.

## **3. Indicators relating to the verification of regulatory assumptions**

- 3.1. Number of enterprises benefitting from the Regulation in each year of its functioning.
- 3.2. Share of micro, small and medium-sized enterprises in the group of beneficiaries.
- 3.3. The share of beneficiary enterprises operating on the respective local, regional, national and international markets.
- 3.4. Average revenue generated from sales by supported entities and beneficiaries at the stage of applying for support.
- 3.5. Number of persons employed in beneficiary enterprises at the stage of applying for support
- 3.6. Share of beneficiaries having previously received public support, including:
  - 3.6.1. from the Structural Funds,
  - 3.6.2. from the support available under the Special Economic Zones.

- 3.7. Participation of firms on the basis of the ownership capital of the enterprise (participation of foreign-invested firms).
- 3.8. Share of beneficiaries incurring expenditure for development works at the stage of submitting the application for support;
- 3.9. Amount of expenditure on development works.
- 3.10. Share of enterprises receiving support active in strategic sectors identified within the framework of the Strategy for Responsible Development
- 3.11. Share of investments implemented in less developed areas.
- 3.12. Number of investments implemented in connection with foreign direct investment
- 3.13. Share of investments consisting of:
  - 3.13.1. The establishment of a new enterprise;
  - 3.13.2. The expansion of an existing enterprise (increase in production potential, placing of new products/services on the market, introduction of new production processes at the enterprise);
- 3.14. Number and share of investments which in supported enterprises resulted in:
  - 3.14.1. The purchase, installation and start-up of new machinery and technical equipment
  - 3.14.2. The placing of new products and services on the market
  - 3.14.3. The implementation of a new production process at the enterprise
  - 3.14.4. Average level of use of production capacity of machinery and technical equipment purchased in connection with the investment
  - 3.14.5. Productivity of the enterprise per employee
  - 3.14.6. Share of enterprises selling new products and services introduced as a result of the investment
- 3.15. Share of supported enterprises cooperating with local partners

## Linking evaluation questions to indicators and their specification

Evaluation question	Indicator	Source	Frequency	Level	Population
<b>Direct effects</b>					
1.1.1. What firms have incurred capital expenditure as a result of regulatory support, including a breakdown by firms incurring expenditure on:	Share of firms that have incurred capital expenditure during the life of the investment, including expenditure on:	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.1.1. R & D activities (including internal and external inputs).	1.1.1.1. R & D activities (including internal and external inputs).	GUS	Once a year	Firms	All enterprises with more than 9 employees
Fixed assets (including land, buildings and premises, machinery and technical equipment).	Fixed assets (including land, buildings and premises, machinery and technical equipment)	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.1.3. Intangible assets.	1.1.1.3. Intangible assets.	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.2. What is the amount of capital expenditure incurred by the firm as a result of the support provided?	1.1.2. Amount of expenditure incurred for:	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
	1.1.2.1. The development work completed,	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
	1.1.2.2. Fixed assets (including land, buildings and premises, machinery and technical equipment),	GUS	Once a year	Firms	All enterprises with more than 9 employees
	1.1.2.3. Intangible assets,	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.3. How many jobs were created in the supported enterprises as a result of the support provided? 1.1.4. How many permanent jobs (beyond the shelf life) were created in supported companies as a result of the support provided?	1.1.3. Number of employees in enterprises that carried out investments supported by the regulation.	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.5. What is the impact of the support on the average wage of the companies supported? Of which:	1.1.4. Average salary.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records

<b>Evaluation question</b>	<b>Indicator</b>	<b>Source</b>	<b>Frequency</b>	<b>Level</b>	<b>Population</b>
1.1.5.1. On the remuneration of the employment relationship?	1.1.5. The value of the average wage from the employment relationship.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.6. What is the impact of the support on business benefits provided to employees, including: 1.1.6.1. Expenditure on training of staff;	1.1.6. Value of average expenditure on training of employees, per employee.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.6. What is the impact of the support on business benefits provided to employees, including 1.1.6.2. Health care expenditure.	1.1.7. Average health expenditure per employee in firms.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.7. What has been the impact of the support received, after the completion of the investment, on the financial soundness of the firm in terms of indicators such as 1.1.7.1. Total sales revenue	1.1.8. Total sales revenue.	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.7. What has been the impact of the support received, after the completion of the investment, on the financial condition of the firm in terms of indicators such as 1.1.7.2. Revenue from export sales	1.1.9. Value of revenue from export sales.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.7. What has been the impact of the support received, after the completion of the investment, on the financial condition of the firm in terms of indicators such as: 1.1.7.3. Operating profit	1.1.10. Share of firms making profit from business activities.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.7. What has been the impact of the support received, after the completion of the investment, on the financial condition of the firm in terms of indicators such as: 1.1.7.3. Operating profit	1.1.11. The value of profit from economic activities.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records

Evaluation question	Indicator	Source	Frequency	Level	Population
1.1.8.What was the impact of the support obtained, after the completion of the investment, on the level of innovation of enterprises. In particular: 1.1.8.1. What is the share of beneficiary firms through the support for investment in innovation activities?	1.1.1.1.Participation of firms that have incurred capital expenditure after the investment period, including R & D expenditure (including internal and external expenditure).	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.8.What was the impact of the support obtained, after the completion of the investment, on the level of innovation of enterprises. In particular: 1.1.8.2. What is the impact of the support provided on the value of investment in innovation activities?	1.1.2.1.Amount of expenditure incurred for completed development works,	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
1.1.9. What was the impact of the support provided, after the investment, on the value of fixed assets held: 1.1.9.1. (including land, buildings and premises, machinery and technical equipment)	1.1.2.2.Value of fixed capital expenditure incurred (including land, buildings and premises, machinery and technical equipment)	GUS	Once a year	Firms	All enterprises with more than 9 employees
1.1.9. What impact of the support provided, after the investment was made, on the value of the intangible assets held: 1.1.9.2.	1.1.2.3.The value of expenditure incurred in intangible assets.	GUS	Once a year	Firms	All enterprises with more than 9 employees
<b>Indirect effects</b>					
2.1. Has the support provided improved the situation of less developed regions in terms of indicators such as unemployment rates and average wages?	2.1.The unemployment rate at district level.	GUS	Once a month	NUTS 4	All districts
	2.2.Average value of salaries at district level.	GUS	Once a year	NUTS 4	All counties (estimated without companies up to 9 employees)
	2.4. Number of registered unemployed at municipal and district level.	GUS	Once a month (districts)/two times a year (municipalities)	NUTS 4; NUTS 5	All districts and municipalities
2.2. How many jobs have been created through support in less developed areas?	2.3.Number of workers working at municipal and district level.	GUS	Once a month (districts)/annually (municipalities)	NUTS 4; NUTS 5	All districts and municipalities

<b>Evaluation question</b>	<b>Indicator</b>	<b>Source</b>	<b>Frequency</b>	<b>Level</b>	<b>Population</b>
2.3. How many new firms have been set up in areas where regulatory-supported entities have invested.	2.5. Number of companies by size, at municipal and district level.	GUS	Once a year	NUTS 4; NUTS 5	All districts and municipalities
2.4. In connection with the investments made, did the supported entities establish or intensify cooperation with:	2.6. Participation of beneficiaries working with local cooperation.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
2.4.1. Local firms/cooperants;					
2.4.2. R & D sector institutions;	2.7. Participation of beneficiaries cooperating with R & D sector entities.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
2.4.3. IOB and JST;	2.8. Participation of beneficiaries cooperating with BSIs.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	2.9. Participation of beneficiaries cooperating with JUs.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
2.4.4. Industry schools.	2.10. Participation of beneficiaries working with industry schools.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
2.5. What is the impact of regulation on the development of individual strategic economic sectors listed in the SOR?	2.11. Participation of strategic sector representatives among the entities supported.	GUS	Once a year	Firms	All enterprises with more than 9 employees

Evaluation question	Indicator	Source	Frequency	Level	Population
<b>Regulation assumptions</b>					
3.1. How many enterprises benefited from the Regulation in each year of its functioning?	3.1. Number of enterprises benefitting from the Regulation in each year of its functioning.	Monitoring data of the Ministry of the Economy	Once a year	Firms	Beneficiaries of aid
3.4. What is the potential of the supported firms to make investments, taking into account factors such as: 3.4.1. size of the firm, 3.4.2.scale of activity, 3.4.3.financial results, 3.4.4.Employment, 3.4.5.experience in the use of State aid, including structural funds and regulations relating to the operation of special economic zones, 3.4.6.Originance /share of the investor, 3.4.7.Enterprise innovation level, measured by the value of the development expenditure incurred; 3.4.8.Main activity according to NACE;	3.2. Share of micro, small and medium-sized enterprises in the group of beneficiaries.	GUS	Once a year	Firms	All enterprises with more than 9 employees
	3.3. The share of beneficiary enterprises operating on the respective local, regional, national and international markets.	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.4. Average revenue generated from sales by supported entities and beneficiaries at the stage of applying for support.	GUS	Once a year	Firms	All enterprises with more than 9 employees
	3.5. Number of persons employed in beneficiary enterprises at the stage of applying for support	GUS	Once a year	Firms	All enterprises with more than 9 employees
	3.6. Share of beneficiaries having previously received public support, including:	Office of Competition and Consumer Protection (UOKiK)/Ministry of Infrastructure and Development	Once a month	Firms	All enterprises receiving aid of the given type
	From the Structural Funds,	Office of Competition and Consumer Protection (UOKiK)/Ministry of Infrastructure	Once a month	Firms	All enterprises receiving aid of the given type

Evaluation question	Indicator	Source	Frequency	Level	Population
		and Development			
	Support provided in the framework of special economic zones.	Monitoring data of the Ministry of the Economy	Historical	Firms	All enterprises receiving support within the framework of special economic zones
	Share of enterprises by the enterprise's capital ownership (share of enterprises with foreign capital).	GUS	Once a year	Firms	All enterprises with more than 9 employees
	3.8. Share of beneficiaries incurring expenditure for development works at the stage of submitting the application for support;	GUS	Once a year	Firms	All enterprises with more than 9 employees
	3.9. Amount of expenditure on development works.	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
	3.10. Share of enterprises receiving support active in strategic sectors identified within the framework of the Strategy for Responsible Development	GUS	Once a year	Firms	All enterprises with more than 9 employees
3.10. What is the territorial distribution of the implemented investments, taking into account the socio-economic development of the areas (municipalities/districts) in which they were implemented? 3.10.1. What is the share, scale and importance of the investments in less developed areas, in particular areas with unemployment above the national average and towns that are losing economic and social functions?	3.11. <i>Share of investments implemented in less developed areas.</i>	GUS	Once a year	NUTS 4	All districts
In what locations – taking into consideration socio-economic development – were foreign direct investments made?	3.12. Number of investments implemented in connection with foreign direct investment	Survey data	Twice during the evaluation process – at the ongoing survey	Firms	Beneficiaries of aid

Evaluation question	Indicator	Source	Frequency	Level	Population
			stage and the final evaluation stage		
<p>What were the investments made, in particular whether they consisted of:</p> <p>3.12.1.Setting a new business; The expansion of an existing enterprise (increase in production potential, placing of new products/services on the market, introduction of new production processes at the enterprise);</p>	3.13. Share of investments consisting of:	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.13.1. The establishment of a new enterprise;	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	The expansion of an existing enterprise (increase in production potential, placing of new products/services on the market, introduction of new production processes at the enterprise);	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
<p>3.13. Did the investment lead to:</p> <p>3.13.1. The purchase, installation and start-up of new machinery and technical equipment? What is their average share and importance in the overall output of the company?</p> <p>3.13.2. The placing of new products and services on the market? What is their share and importance in the overall sales of the company?</p> <p>3.14. The implementation of a new production process at the enterprise? What is its significance for the enterprise?</p>	3.14. Number and share of investments which in supported enterprises resulted in:	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.14.1. The purchase, installation and start-up of new machinery and technical equipment	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid

Evaluation question	Indicator	Source	Frequency	Level	Population
	3.14.2. The placing of new products and services on the market	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.14.3. The implementation of a new production process at the enterprise	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.14.4. Average level of use of production capacity of machinery and technical equipment purchased in connection with the investment	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
	3.14.5. Productivity of the enterprise per employee	GUS	Once a year	Firms	All enterprises with more than 9 employees keeping accounting records
	3.14.6. Share of enterprises selling new products and services introduced as a result of the investment	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid
3.20. Do the supported enterprises cooperate with: 3.20.1. local companies/cooperants;	3.15. Share of supported enterprises cooperating with local partners	Survey data	Twice during the evaluation process – at the ongoing survey stage and the final evaluation stage	Firms	Beneficiaries of aid

Please explain why the chosen indicators are the most relevant for measuring the expected impact of the scheme.

The list of result indicators is a consequence of the research questions raised, as indicated in the previous section of the plan. Following the breakdown set out therein, the indicators were broken down into direct effects, indirect effects and assumptions.

In the case of the latter, not all the questions are directly reflected in the indicators, since some of the questions concerning the fulfilment of the objectives of the intervention are strictly qualitative.

## 5. Envisaged methods to conduct the evaluation

**5.1.** In light of the evaluation questions, please describe the envisaged methods to be used in the evaluation to identify the causal impact of the aid on the beneficiaries and to assess other indirect impacts. In particular, please explain the reasons for choosing those methods and for rejecting other methods (for example, reasons related to the design of the scheme).<sup>7</sup>

The evaluation will use a wide range of analytical methods and techniques to determine, on the one hand, the quantitative effects of the support. On the other hand, tools will be used to understand the actual functioning of the regulation. This will be possible through two complementary approaches: An impact evaluation based on counterfactual analysis and theory-based evaluation that verifies regulatory assumptions. With regard to the second approach, it is already preliminarily presented in section 2 at the moment of the establishment of the Plan Theory of Change with the assumptions assigned to it. These were the basis for raising research questions and designing a set of evaluation indicators.

With regard to impact evaluation to capture the causal impact of the regulation, a relatively wide range of analytical methods and techniques was planned to be used during the drafting phase, due to the lack of detailed data on the progress of the intervention. It should be noted, however, that it may be narrowed already at the stage of the evaluation study, due to the size of the population analysed and other factors, as described below.

The possibility of using individual analytical techniques will be verified, in particular, at the stage of the study's feasibility study using data collected by the Polish official statistics services, which is planned to be carried out three full years after the start of the instrument, i.e. in 2022.

The analysis of the impact of the interventions will be carried out at the level of direct effects – concerning the beneficiaries of support – and indirect effects related to the environment of the supported entities. The method to be used is set out below.

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Please make reference to SWD(2014)179 final of 28.5.2014.

## **Direct effects at the level of the beneficiaries of the support.**

### **1. Techniques for matching techniques linked to the use of Difference in Difference in Difference in Differences (DID).**

The survey for the group of beneficiaries of support will select control groups using techniques designed to eliminate observable differences (so-called selection loads) that can be in relation to the support effects observed. Two techniques – *propensity score matching (PSM)* and *Coarsened exact matching (CEM)* are planned to be used in parallel. Both rely on slightly different assumptions regarding the process of eliminating the so-called selection burden. They shall be used in parallel for the purpose of peer review of the estimates obtained.

In addition, the value of the support effect will be measured using the DID method, which is based on the estimation of the difference in the change in the value of the indicator analysed in the group of beneficiaries and in the control group. The DID approach will be implemented for both the PSM and the CEM.

In order to verify the correctness of the model, an analysis of the sensitivity of the models performed will be carried out by checking how the introduction (or removal) of control variables influences the effect estimates made (to what extent the model is stable). If the size of the analysed research samples allows, the analyses will also be carried out on a random sub-sample of the beneficiaries of support, in order to re-verify the sustainability of the model.

The applicability of both analytical techniques will depend to a large extent on the size of the population of enterprises benefiting from support for which reporting data are available, collected by the Central Statistical Office.

### **2. Regression discontinuity design (RDD) control method.**

Additional verification of analyses using methods based on the alignment of the control group by characteristics will be made possible by applying an alternative approach to measuring effects, linked to the project assessment system envisaged in the implementing act of the Act. This system will be based on two types of criteria – quantitative and qualitative. The latter will use a zero-single scoring system (completes, does not meet). Support will be provided when the necessary minimum points are reached. Importantly, a harmonised set of project evaluation criteria is planned – there are only minor differences in the assessment criteria for investment projects in the modern business services sector and for industrial projects. Similarly, the minimum points required are relative – a different threshold has been set for some of the projects/types of beneficiaries. In principle, however, large groups of operators will be assessed according to the same rules. Assuming that some operators will not receive support due to non-compliance with the established assessment criteria, it will be possible to use this population as a control group.

The effect of the support will be identified at the so-called cut-off threshold. The use of this analytical technique similar to methods of matching the control group by characteristics will depend on the number of entities supported. In addition, the number of entities that applied for support but did not reach the required minimum will be important.

### **3. Contribution analysis**

Irrespective of the quantitative data analysis techniques, the evaluation will use the methodology used in the theory-based evaluation approach. Admittedly, as a result of its application it will not be possible to quantify the impacts of the support. However, it will be possible to verify the existence of causal relationships between the support granted and changes observed at the level of the supported entities.

The analysis of the contribution focuses on establishing causal links between the changes observed and the specific interventions, and the presentation of conclusions that explain their occurrence (Mayne J. 2012). In this approach, the key assumptions are those that need to be highlighted in the evaluation both as necessary conditions for and specific limitations of the implementation of the intervention. In line with the supporters of the approach (cf. Leeuw F. 2012), "It may legitimately be claimed that an intervention has taken place if: (a) there is a justified theory of change for a given programme: the key assumptions behind why the intervention is expected to work make sense, are plausible, may be supported by evidence, and are agreed by at least some of the key players; (b) the action programme has been implemented in accordance with the accepted Theory of Change; (C) Theory of change – or its key elements – is supported and supported by evidence of the observed effects and underlying assumptions, both by experts and facts, the results defined in the causal chain have occurred and the theory of change has not been rebutted, (d) other external factors have been analysed and either they have not shown to have any significant impact on the effects of the intervention or their relative impact on its effectiveness has been identified."

An element of the contribution analysis is presented in the preliminary section of the Theory of Change (Section 2). During the evaluation phase, both the expected impact of the Regulation and its underlying assumptions will be verified.

As part of the contribution analysis – taking an analytical approach – various techniques of data collection and analysis will be used, including case studies, analysis of monitoring data, study and analysis of questionnaire data from a sample of beneficiaries and unsuccessful applicants, and in-depth interviews with beneficiaries, managers, intervention administrators, decision-makers etc.

#### **Indirect effects at the level of territorial units (municipalities/districts)**

##### **1. Difference in Difference in Differences (DID).**

The analysis at the level of territorial units aims to measure the indirect effects of interventions going beyond the direct beneficiaries of support. Estimating the effects at this level will make it possible to determine in particular how effective regulation is in relation to its sustainable development objectives. However, unlike the business survey, it will not be possible to make a typical distinction between affected entities and non-recipients – this is directly due to the nature of the support, which will in principle be available to businesses in all areas. The regulation no less favours investment in disadvantaged socio-economic areas, particularly in areas with higher levels of unemployment and in cities losing so-called socio-economic functions. It is expected that regulation will help to stop growing divergences in this regard. In this regard, the legal acts governing the intervention provide for additional incentives for businesses (higher value of state aid, lower investment requirements). The role of the planned evaluation will therefore be to verify whether this objective is actually being achieved. Therefore, in the case of analyses carried out at the level of territorial units, the ‘group of beneficiaries’ will be used: (a) municipalities/districts (to be decided at the evaluation stage) which are in a worse socio-economic situation, including in particular the level of unemployment is higher than the national average; (b) cities on the indicative list losing socio-economic functions. Control groups will be used by units which do not meet the above criteria. The effect will be identified by the DID estimator. If differences in selected development indicators, such as employment levels, unemployment, etc., decrease as the investment takes place, this may mean that the investment works as intended.

## **2. Contribution analysis**

The conclusions of the contribution analysis carried out at this level will be crucial for the analysis of indirect effects, given the limited scope for inference based on the results of the statistical analysis. As with the analysis of direct impacts, the verification of the assumptions of the intervention, supported by a detailed analysis of factual data, analysis of case studies, interviews with representatives of local government, local businesses, business organisations, and the world of science, will make it possible to check whether changes in socio-economic development indicators observed at local level are linked to the implementation of the intervention.

- 5.2.** Please describe precisely the identification strategy for the evaluation of the causal impact of the aid and the assumptions on which the strategy relies upon. Please describe in detail the composition and the significance of the control group.

The study will use different control group selection strategies. These will be described below in the layout of the methods to be used, as set out in the previous section of the plan.

### **1. Techniques for matching techniques linked to the use of Difference in Difference in Difference in Differences (DID).**

Firstly, it should be noted that in control group matching approaches according to the characteristics of the analysis will be carried out at the level of two groups of units:

(1) companies – in terms of establishing direct effects

2) territorial units (districts/municipalities) – for determining indirect effects.

Ad. 1 For direct effects, the control group will be used by companies that have not received support. There are also two options: all firms will be used as the primary control group without support, while the additional group will be used by companies that applied for support but did not receive it. This second possibility will of course depend on the number of such entities – it is difficult to say at this stage the scale of the inefficient application for support. However, if it were possible to apply both solutions, it would be possible to verify each other's estimates. It is worth stressing that the use of ineffective applicants as a control group would make it possible to take into account some of the factors that may cause the so-called selection burden. It includes, in particular, the intention to invest in an undertaking.

Ad. 2 An analysis at the level of territorial units will make it possible to determine the effects beyond the direct beneficiaries of the support. Estimates of the effects at this level will make it possible to determine how effective regulation is in relation to its sustainability objectives. However, unlike the business survey, it will not be possible to make a typical distinction between affected entities and non-recipients – this is directly due to the nature of the support, which will in principle be available to businesses in all areas. The regulation no less favours investment in disadvantaged socio-economic areas, particularly in areas with higher levels of unemployment and in cities losing so-called socio-economic functions. It is expected that regulation will help to stop growing divergences in this regard. The legislation governing the intervention provides for additional incentives for businesses (higher value of state aid, lower investment requirements). The role of the planned evaluation will therefore be to verify whether this objective is actually being achieved. Therefore, in the case of analyses carried out at the level of territorial units, the 'group of beneficiaries' will be used: (a) municipalities/districts (to be decided at the evaluation stage) which are in a worse socio-economic situation, including in particular the level of unemployment is higher than the national average; (b) cities on the indicative list losing socio-economic functions. Control groups will be used by units which do not meet the above criteria.

## **2. Regression discontinuity design (*RDD*) control method.**

In the case of the *RDD* method, the control group will be used by the entities applying for support but not meeting the required minimum points at the investment project selection stage. As stated in the previous section, the applicability of this strategy will depend on the size of the population of unsuccessful applicants.

In all analyses, the counterfactual situation (baseline scenario) will be understood as the lack of public support in the form of the Act on Supporting New Investments under consideration.

- 5.3.** Please explain how the envisaged methods address potential selection bias. Can it be claimed with sufficient certainty that observed differences in the outcomes for the aid beneficiaries are due to the aid?

The problem of eliminating the potential selection burden in the study will be addressed as follows:

- a) The study will use the best available data from the Central Statistical Office, i.e. a reliable source. The data at the Central Statistical Office's disposal are generally most complete compared to other data sources, including commercial or secondary data sources. This will allow for the creation of statistical models that take into account important control variables that may be relevant to the existence of a selection load.
  - b) Several techniques and methods of data analysis will be used in parallel in the study. Their results are to be peer-reviewed (PSM, CEM, RDD). A combination of them will make it possible to establish the correctness of the conclusions on the existence of causal dependencies highlighted in the presented Theory of Change.
  - c) The study will use a sensitivity analysis – which will allow to test the stability of the results – in particular taking into account model changes.
  - d) The study will follow a complementary approach to quantitative data analysis techniques in the form of a contribution analysis. It will re-verify whether the conclusions of the counterfactual studies are supported by other data sources and the general theory of change.
- 5.4.** If relevant, please explain how the envisaged methods intend to address specific challenges related to complex schemes, for example schemes that are implemented in a differentiated manner at regional level and schemes that use several aid instruments.

The problem of complex aid schemes is largely addressed by the design of the support mechanism, which will in principle be implemented centrally. It is true that the possibility of decentralising the instrument and transferring some of the powers of the Minister for Affairs is envisaged. Economies in the hands of land managers. Nevertheless, there will be a high level of standardisation of the implementation of the instrument, reflected in the common criteria for the selection of entities to support and the regulation itself and all related mechanisms, including a monitoring and control system.

Some differentiation occurs at the level of types of intervention. In this respect, two possible pathways are envisaged, namely investment in the creation of a new company and investments in existing companies. In order to capture the possible diversity of outcomes and the causal mechanisms behind them, any analysis will be carried out (if data allow) taking into account this variation.

## 6. Gathering data

**6.1.** Please provide information on the mechanisms and sources used to collect and process data on the aid beneficiaries and the envisaged counterfactual scenario<sup>8</sup>. Please provide a description of all the relevant information that relates to the selection phase: data collected on aid applicants, data submitted by applicants and selection outcomes. Please also explain any potential issue as regards data availability.

The evaluation envisages the use of diverse data sources, based on both primary and secondary data. A very important source of data will be the reporting data of companies, held exclusively by the Central Statistical Office (GUS). These data are covered by statistical secrecy (see section 6.3 for more details). In the case of analyses where territorial areas are the unit of analysis, CSO data will also be used, but they are not covered by statistical secrecy.

It should be borne in mind that in the case of CSO data, in addition to the restriction of access, there is a certain limitation resulting from the scope of the reporting. In particular, there is a limited amount of information for micro-entrepreneurs – with fewer than 10 employees. For this group of supported entities, counterfactual analyses may be carried out to a limited extent or will not be feasible at all on the basis of CSO data.

The CSO's reporting data planned as part of the survey (mainly collected via SP forms and F01, F02) are collected once a year. It is to be expected that analyses for the last reporting year become possible with around an annual shift (e.g. company data for 2017 will be possible for analysis at the end of 2018).

The source data used to identify the beneficiaries of the support will come from the records kept – a mandatory tool provided for in the regulation. In addition, RDD analyses will use data on the scores obtained by individual companies as part of the process of assessing applications for support.

In addition to the above, it is planned to collect secondary data in the form of company questionnaire surveys.

Qualitative data will also be collected for the purposes of the final evaluation in the context of the case study and the interviews of the IDI. These data will be collected in the year of the final evaluation study foreseen for 2026-2027.

**6.2.** Please provide information on the frequency of the data collection relevant for the evaluation. Are observations available on a sufficiently disaggregated level that is to say at the level of individual undertakings?

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<sup>8</sup> Please note that the evaluation might require sourcing of both historical data and data that will become progressively available during the deployment of the aid scheme. Please identify the sources for both types of information. Both types of data should preferably be collected from the same source as to guarantee consistency across time.

Data related to the monitoring of support (number of applications approved, evaluation of projects, records) will be collected on an ongoing basis.

The proposed evaluation methodology envisages relying on data that will be available to the evaluator: they will come from enterprises benefiting from the Programme, management companies and official statistics.

Additional data necessary for the assessment will be collected by the evaluator as a result of field investigations, in particular through planned questionnaire surveys and qualitative studies (case studies, IDI).

CSO data are collected on a unit basis. Direct access will not be possible due to existing statistical secrecy. Any counterfactual analysis can only be carried out by the staff of the Central Statistical Office.

- 6.3.** Please indicate whether the access to the necessary data for conducting the evaluation might be hindered by laws and regulations governing confidentiality of data and how those issues would be addressed. Please mention possible other challenges related to data collection and how they would be overcome.

One data source planned for use in the evaluation will be subject to legally limited access. This is the case for data collected by the official statistics services, which are covered by statistical secrecy under the Law of 29 June 1995 on official statistics. It is not possible to extract them in the form of microdata. Last but not least, the Central Statistical Office has been an entity that has been supporting the Polish public administration by providing it with the necessary data, including those used for evaluation purposes. Moreover, in the service of official statistics in this Central Statistical Office, the competence of analysts and statisticians to conduct counterfactual statistical analyses has been developed for many years now, consisting of selecting control groups using various statistical data analysis techniques. It is planned that cooperation with the Central Statistical Office could take place as follows:

- a) The selected team of evaluators – the evaluation contractor – produces input data, i.e. data of the enterprises – the beneficiaries of the support.
- b) The evaluation contractor shall send the Central Statistical Office a request for an analysis of the data, in accordance with an analysis scheme of his choice, taking into account the provisions of this plan.
- c) The Central Statistical Office shall carry out a feasibility analysis, including from the point of view of statistical secrecy, taking into account the size of the test samples analysed and the level of disaggregation assumed.
- d) Where it is possible to carry out the studies envisaged, the experts of the Central Statistical Office carry out the analyses in close cooperation with the study contractor (the contractor proposes the layout and conduct of the analyses).
- e) The Central Statistical Office presents the aggregated results of the analyses for interpretation and use in this evaluation.

At the stage of the design of this plan, the Minister responsible for The economy forwarded a letter to the Central Statistical Office, attached to which a draft version of this plan was sent.

In addition, it is foreseen that during the implementation of the evaluation there may be problems with the availability of data on ineffective applicants – i.e. entities that applied for support under the instrument, but due to non-compliance with the required criteria they did not receive it. Those excluded from support tend to be less likely to participate in related thematic studies.

For this study, it is planned to use ineffective applicants in quantitative and case studies. While in the case of case studies, the sample of surveyees will be relatively small and there should be no fundamental problems in finding entrepreneurs who will take part in the study, in the case of quantitative studies, the reluctance of the operators may limit the willingness to participate in the study. To overcome this problem, action will be taken at the level of the measurement methodology and at the level of messages to economic operators (see next section for more details).

**6.4.** Please indicate whether surveys of aid beneficiaries or of other undertakings are foreseen and whether complementary sources of information are intended to be used.

It is envisaged to conduct business surveys using questionnaire surveys, carried out at least at the stage of on-going evaluation and the final evaluation of the instrument. As part of this project, a call for a study will also be offered to those who have not benefited from support.

## 7. Proposed timeline of evaluation

**7.1.** Please indicate the proposed timeline of the evaluation, including milestones for data collection, interim reports and involvement of stakeholders. If relevant, please provide an annex detailing the proposed timeline.

The main elements of the evaluation's implementation are as follows:

- 3 full years after the launch of the instrument – Feasibility study of evaluation using CSO data (2022).
- 4 full years after the start of the instrument – evaluation on going, preliminary analysis of the impact of the instrument on the implementation of the investment – verification of the existence of an idle loss effect; verification of the correct functioning of the project selection system; answer part of the evaluation questions (2023-2024);
- 7 full years after the launch of the instrument – evaluation of the effects, for the first three years of implementation, answer to all evaluation questions (2026-2027).

This schedule assumes an average investment duration of 3 years. Taking this into account, it is reasonable to examine the effects of the support no earlier than one full reporting period after the completion of the investment. In addition, a shift in access to the reporting data at the disposal of the Central Statistical Office should be taken into account.

In view of the above, the first investments mobilised in 2018 can be expected to end in 2021. Their effects – e.g. the impact on the financial performance of businesses can be tested in 2022 at the earliest. Data for this year will be available in official statistics at the end of 2023/2024.

The number of investments started in 2018 will necessarily be limited. The conclusions on the effects of the support at this stage will therefore be preliminary and incomplete. Therefore, actual impact assessments will be deferred over time and will include investments made in 2018-2021 (three full years). Assuming an average investment lead time of approximately 3 years, the effects of these investments can be tested at the earliest in 2025. The data for this reporting period will be available in 2026-2027. Therefore, an evaluation of the effects of the programme is foreseen at this point in time.

**7.2.** Please indicate the date by which the final evaluation report will be submitted to the Commission.

2027

**7.3.** Please mention factors that might affect the envisaged timeline.

This timetable will largely depend on two factors: the interest from the companies introduced by the instrument and the planned timing of the investment. The more actors decide to apply for support – especially in the first years of the Facility, the greater the chance that the planned studies can be carried out in time. As a general rule, all techniques related to the quantitative identification of causal effects of support require relatively large trials to carry out a correct and useful analysis of the data. At the same time, the key to measuring the actual effects of the support will be the investment time – the timetable adopted assumes that the average investment time in the company (full implementation) will take about three years. During this period, companies will bear the costs of implementing the investment and it is difficult to expect the full material effects of the support. Too early measurement of effects may lead to erroneous conclusions. If it transpires that the duration of the investment exceeds the target of three years, it may prove that these companies will not be justified in carrying out analyses within the time indicated and should be stopped.

## **8. The body conducting the evaluation**

**8.1.** Please provide specific information on the body conducting the evaluation or, if not yet selected, on the timeline, procedure and criteria for its selection.

The evaluation will be carried out by a panel of independent experts. The study contractor to whom the evaluation will be commissioned will be selected taking into account the competitive rules and the procedures provided for in the Public Procurement Act.

The tender specifications will include provisions guaranteeing full independence of the evaluator and individual experts from the body responsible for granting the aid.

The criteria for the selection of the entity carrying out the evaluation will include requirements relating to:

- the experience of the evaluator in conducting evaluation studies on programmes and instruments for enhancing the competitiveness and innovation of the economy and local and regional development, using the methodological approaches planned for the planned evaluation;
- multidisciplinary of the evaluation team;
- experts in the evaluation team have qualifications and experience in carrying out evaluation studies in the areas indicated above, using the methodologies to be used in the regulatory evaluation.

The procedure for selecting the contractor for the evaluation study will be carried out by the minister responsible. Economy as the body responsible for granting aid under the Act.

**8.2.** Please provide information on the independence of the body conducting the evaluation and on how possible conflict of interest will be excluded during the selection process.

The entity carrying out the evaluation will be selected by means of a competitive procedure in accordance with the rules laid down in the Public Procurement Act. The selection criteria will include ensuring the independence of the evaluator and individual experts from the assisting authority.

**8.3.** Please indicate the relevant experience and skills of the body conducting the evaluation or how those skills will be ensured during the selection process.

The criteria for the selection of the entity carrying out the evaluation will include requirements relating to:

- the experience of the evaluator in conducting evaluation studies on programmes and instruments for enhancing the competitiveness and innovation of the economy and local and regional development, using the methodological approaches planned for the planned evaluation;
- multidisciplinary of the evaluation team;
- experts in the evaluation team have qualifications and experience in carrying out evaluation studies in the areas indicated above, using the methodologies to be used in the regulatory evaluation.

The procedure for selecting the contractor for the evaluation study will be carried out by the minister responsible. Economy as the body responsible for granting aid under the Act.

- 8.4.** Please indicate which arrangements the granting authority will make to manage and monitor the conduct of the evaluation:

The assessment will be carried out by an entity selected by the granting authority by means of a competitive procedure, in accordance with the Public Procurement Act, once the contract between that entity and the body has been signed. The agreement will specify the responsibilities of the evaluator to inform the assisting authority about the progress of the assessment and to present for consultation and approval key elements of the assessment process, such as: methodological report, research tools, final report. The contract will provide for contractual penalties for the contractor in the event of non-compliance with the correct implementation of the key evaluation steps on time.

- 8.5.** Please provide information, even if only of an indicative nature, on the necessary human and financial resources that will be made available for carrying out the evaluation:

Recruitment/attribution of at least one person in the Ministry of Affairs will be required. The economy, which is responsible for coordinating the work of the evaluation. This person would be responsible for providing the necessary data (cooperation with the Central Statistical Office), drawing up the tender documentation and monitoring the implementation of the evaluation study.

Estimated cost of carrying out the evaluation – approximately 150-250 thousand. The euro.

## **9. Publicity of the evaluation**

- 9.1.** Please provide information on the way the evaluation will be made public, that is to say, through the publication of the evaluation plan and the final evaluation report on a website:

The results of the evaluation will be published and disseminated as an important part of research and evaluation of the functioning of the regulation. Their presentations are foreseen, among other things, at a conference with stakeholders.

- 9.2.** Please indicate how the involvement of stakeholders will be ensured. Please indicate whether the organisation of public consultations or events related to the evaluation is envisaged:

Stakeholders will be involved at the various stages of the evaluation – including the design of the contract/selection of the study contractor and the different stages of the study, including in particular the report consultation phase – methodological, partial and final. A specific role for stakeholders will play in the review phase of the theory of change, the draft of which is presented in section 2 of this plan.

- 9.3.** Please specify how the evaluation results are intended to be used by the granting authority and other bodies, for example for the design of successors of the scheme or for similar schemes:

The results of the evaluation will be presented in all major regulatory bodies.

- 9.4.** Please indicate whether and under which conditions data collected for the purpose or used for the evaluation will be made accessible for further studies and analysis:

All data except data covered by statistical secrecy (company data at individual level), trade secrets or whose sharing is restricted by other legal constraints (e.g. protection of personal data) will be available for replication of results and further research and analysis.

- 9.5.** Please indicate whether the evaluation plan contains confidential information that should not be disclosed by the Commission:

The plan does not contain confidential information.

## 10. **Other information**

- 10.1.** Please indicate here any other information you consider relevant for the assessment of the evaluation plan:

Not applicable.

- 10.2.** Please list all documents attached to the notification and provide paper copies or direct internet links to the documents concerned:

- 1.** Act on Supporting New Investments
- 2.** Regulation on State aid granted to entrepreneurs carrying out economic activities in areas.