

Impact Evaluation of European Structural and Investment Funds - Firm Support in Slovakia

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ABSTRACT

The promotion of innovation in SMEs is an important element of economic growth and also it is an objective of the European Union's economic and regional policy. Therefore, it is essential to evaluate the effectiveness of this support. The main goal of the presented research is to evaluate the support in selected companies in Slovakia through counterfactual impact evaluation method. The evaluated projects were financed from the European Union Structural Funds under priority axis 11 Strengthening the competitiveness and growth of SMEs, Operational Program Integrated Infrastructure. There was a total of 634 supported projects in 17 sections implemented in years from 2016 to 2021. We examine the projects of applied companies and try to determine the impact of support through selected financial indicators of companies which were compared before the implementation of support and in the period after implementation, while we evaluated the impact through an analysis of supported and unsupported companies.

AIM AND MOTIVATION

The main goal of the presented research is to evaluate the support in companies in Slovakia through selected counterfactual impact evaluation method. The evaluated projects were financed from the European Union Structural Funds. Our intention will be realized through the analysis of the created database of supported projects from the List of approved projects published on the website of the partnership agreement. The issue is current and interesting, because the programming period 2014-2020 has ended, so we can reflect on how companies in the field of innovation in Slovakia were supported. Because the promotion of innovation in SMEs is an important element of economic growth and therefore it is also an objective of the European Union's economic and regional policy. Our research question is: What impact did the support have on selected indicators of companies in Slovakia? And a supplementary question: Which sectors and regions were most supported in period 2014-2020?

RESEARCH METHODOLOGY AND METHODS

At the beginning of the elaboration, we studied the theoretical basis for supporting the innovation of companies. In our theoretical part we deal with different approaches to support innovation of companies, especially we analyze the theory of intelligent specialization, where it characterizes and examines its importance within the European Union and in the conditions of the Slovak Republic. In this work we deal with the evaluation of the sectoral dimension of support for innovation of companies from the Structural Funds of the European Union.

We filled in the database on the basis of a contract or proper completion of the project through the database of the List of approved projects published on the partnership agreement, while we also focused on data under priority axis 11 Strengthening the competitiveness and growth of SMEs, Operational Program Integrated Infrastructure. Information about the projects was also from Finstat, especially details about the size of the company, the company's affiliation within the divisions. We used the Commercial Register and the Trade Register of the Slovak Republic to find out information about the

ownership relations of companies. We obtained information about the company's section on the basis of their affiliation to the divisions and which we previously obtained from Finstat and further classified them into sections according to the SK NACE categorization.

We examine the projects of applicants or companies in more detail and try to determine the impact of drawing support on supported companies. Using the selected CIE method, we compare selected financial indicators of companies before the implementation of support and in the period after implementation, while we compare supported and unsupported companies.

PRELIMINARY RESULTS

For the implementation of the research, we took a closer look at drawing funds to support innovation and competitiveness of Slovak SMEs from the European Structural Investment Funds, specifically the European Regional Development Fund. The supported projects were obtained from the list of approved projects published on the website of the partnership agreement, which we further supplemented with other important data during the evaluation, such as the size of the company, legal form, etc. We examined the supported companies on the basis of their affiliation with the economic sector to which they belonged, their activities, as determined by the Finstat portal and ORBIS. The branch of the supported company represented a section or a smaller unit - a division according to the SK NACE classification. Another division of the supported companies was on the basis of technological industry intensity according to the Eurostat methodology. We further compared the supported projects with indicators such as sectoral GDP, number of persons employed, etc.

There were a total of 634 supported projects in the database, in 17 sections, and some projects were and still will be implemented from 2016 to 2021. Support from the European Union amounted to a total of € 157,859,348.50. An amount of € 99,754,131.50 was invested from the own resources of the supported companies. One joint-stock company belonged to the guarantee and the development bank of Slovakia provided € 7,320,000.00 from public sources. Thus, the total cost of the projects amounts to € 262,151,438.55. As for the size of companies, respectively micro-enterprises predominated (46.57%), but the group of small enterprises was the most supported in the form of a share of up to 55.83% of the total amount of support. Within the legal form of the company, the companies were divided into 6 groups, but 90.2% were companies with the legal form of a limited liability company. The majority were also companies with a domestic owner of up to 94%.

The most supported section was industrial production (C), in which the supported companies received € 62,599,783.64 (a share of 40%), followed by the financial and insurance activities section (K), but there was only one joint-stock company in the section, owned (100% by number of shares), the guarantee and development bank and the project served to set up a venture capital fund for SMEs outside the BSK, financial support from the EU amounted to € 41,480,000.00 (share 26.33%) and public funds 7,320 € 000.00. From the point of view of divisions, if we omit division (66) of ancillary financial services and insurance activities (same explanation as for section K), projects in the division of metal structures except machinery and equipment (25) from section C, with the amount of support 16 344 € 244.43, which represents a share of the total amount of support of 10.37%, within section C it is a share of 26.11%. It was followed by the wholesale division excluding motor vehicles and motorcycles (46), the supported projects received in absolute value € 14,814,165.35, with a share of 9.40% of the total amount of support from the European Regional Development Fund. The third most supported division (projects in it) was food production (10) in the absolute amount of € 9,361,528.21, with a share of 5.94% of the total amount of support from the European Regional Development Fund.

We also looked at the total number of supported companies from a regional point of view, ie in which region there were the most supported companies and in which the least. The most supported companies were in Eastern Slovakia with 229 companies, of which the most of the given number were 133

companies in the Prešov Region. There were the least 191 companies in Western Slovakia, of which the least were 55 companies in the Trnava Region. Another descriptive statistic used was to find out how many foreign owners of companies are in individual regions, while the largest number of foreign owners was in the Trenčín and Prešov regions.

In terms of territorial division, we analyzed whether there are more companies / projects supported in cities or municipalities, which showed that most companies / projects are supported in cities, which represented 69%. From the geographical view, we divided the regional distribution of aid for the Slovak Republic in terms of maps for districts and regions, ie how much money each region and district received per capita. In the next part, we looked at the analysis of regional distribution of aid for individual regions of the Slovak Republic, ie Western, Central and Eastern Slovakia, and we found support in individual regions and districts, to which region or district the most support and to which less. We further analyzed this from a regional perspective of population and how it was from the perspective of per capita contribution support. The largest level of support went to Central and Eastern Slovakia, which represented 40-50 € per capita allowance, while in Western Slovakia it represented 15-20 € per capita allowance, which gives us an answer to the kind of research question of the level of support in the regions. From this whole part of the analysis we have the answer to the first research question of directing support to small and medium-sized enterprises in the period to the least developed regions and the resulting finding confirmed that most support went to the least developed regions in Central and Eastern Slovakia, namely Prešov, Košice , and the Banská Bystrica Region.

Regarding the preliminary counterfactual impact analysis, the first results indicate a positive impact of the European Union Structural Funds on the sales of supported companies, but this impact is very low. We will look at other variables that could further specify this impact.