Przemysław Dubel★

Regional Policy and Barriers to Access to EU Funds for the SME Sector in 2007–2013

Abstract

The main goal of this article is to present an analysis of the implemented actions supporting the increase of competitiveness of the SME sector within the framework of regional development policy in 2007–2013, with particular emphasis on barriers in access to EU funds by this sector of the economy. The described barriers have been identified on the basis of the interviews carried out. The obtained results confirm the most frequent opinions about problems with access to EU funds that entrepreneurs have, such as: poor information about application rules and procedures, too extensive bureaucracy and unclear guidelines regarding, among others, eligibility of expenditure.

Key words: Regional Policy, Management, Projects, Development of the SME Sector

Introduction

One of the most important mechanisms affecting the development of regional markets is the regional policy of the European Union (EU), whose overarching objective is to remove disparities in economic, social and territorial development through redistribution of budgetary resources. In this respect, the EU's regional policy is often identified with cohesion policy as it aims to reduce the differences in economic development between individual regions. Moreover, cohesion policy results in a reduction of differences between the EU member states. Regional policy is also equated with structural policy (some authors, for example Jacek Szlachta and Katarzyna Duczkowska-Małysz, use the terms "regional policy" and "structural policy" interchangeably since over 90% of the EU funds allocated to structural policy are focused on regional needs) in regions with declining industries or economic sectors such as textile, mining or heavy industries[1]. The financial intervention from EU funds under regional

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[1] J. Szlachta, *Polityka Regionalna i Fundusze Strukturalne – perspektywa unijna* (*Regional Policy and Structural Funds – the EU perspective*), in: *Znaczenie funduszy pomocowych Unii*

policy can be described as a strive to reduce disparities in the development of economically backward regions, areas affected by the collapse of industry, agricultural areas and areas with low population density.

The theoretical dispute on the impact of regional policy encompasses two options: the first is referred to as compensatory and the second as polarising.[2] Supporters of the compensatory option advocate that state intervention should be targeted at the poorest regions. Such intervention is aimed at economy restructuring that should contribute to an increase in the growth rate and trigger the process of "catching up" with rich areas (regions).

Supporters of the polarisation option believe that any interference undermines the market mechanism, which is the most effective, and opt for the state refraining from any interference in regional development processes. In their opinion, any intervention not only fails to help weaker regions but even causes their underdevelopment.[3]

Regional policy is directly linked with the concept of regional integration that is regarded as the establishment of coherent systems and plays a major role in the development of regionalism that can be viewed at two levels: at the international level – as building integration structures by bringing together countries in certain regions of the world (integration within the European Union), at the national level – as promoting the development of individual parts of countries or cross-border areas through efforts undertaken both within these countries and within broader supranational structures, as exemplified by the European Union with its regional policy[4].

Financial intervention under regional policy not only supports regionalisation but also contributes to the implementation of article 158 of the Treaty establishing the European Community providing that: "In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the [...] regions [...], including rural areas"[5].

In the application process for EU funds, there are barriers that reduce the absorption rate and slow down the development of the sector of small and medium-sized enterprises. Their elimination will not only increase

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Europejskiej dla Polski (The Impact of European Union funds for Poland), ed. E. Kawecka-Wyrzykowska, Warszawa 2000, p. 27.

[2] J. Bachtler et al., *Longer Term Perspectives on Regional Policy in Europe*, Glasgow 1996.

[3] M. Levison, *Nie tylko wolny rynek. Odradzanie się polityki gospodarczej (Not just the free market. Rebirth of active economic policy)*, Warszawa 1992.

[4] S. Pastuszka, *Polityka regionalna Unii Europejskiej – cele, narzędzia, efekty* (*Regional policy of the European union – goals, tools, effects*), Warszawa 2012, pp. 86–92.

[5] W. Pietrowski, *Finansowe instrumenty polityki regionalnej w Polsce (Financial instruments of regional policy in Poland)*, Toruń 2018, pp. 9–11.

the efficiency of expenditure but will also foster competitiveness at the interregional and subregional levels.

This article seeks to analyse the tasks carried out under regional policy in Poland in 2007–2013, with particular emphasis on barriers to access to EU funds for micro, small and medium-sized enterprises (SMEs).

It is divided into two parts. The first part discusses the fundamentals of regional policy and the effects of its implementation. The second part presents the results of the author's research regarding barriers to access to EU funds for SMEs in 2007–2013.

Regional Policy, Structural Funds – the Fundamentals and Effects of Implementation

In the last decade, the European Union has established a regional group where integration processes cover almost all areas of political, economic and social life. This makes the EU not only a regional power strongly affecting the vast neighbouring areas (e.g. Eastern Europe) but also a significant global partner that has built the most advanced system of regional development support – both in individual member states or cross-border areas and within the whole Union, where common regional policy is implemented[6].

Such an approach results in the need to support social and economic development of the various regions of the European Union as the role of the state as the manager of EU funds is declining, thus strengthening the role of regions in shaping the economic and spatial structure of Europe. A characteristic feature of the European Community is the creation of a common supranational policy covering the basic areas of economic life. In the development of joint actions, however, a lack of internal balance is manifested in various ways, leading to the diversification of socio-economic development. One of the most important mechanisms reducing these disparities is regional policy, whose overarching objective is to remove disparities in economic, social and territorial development.[7]

The theoretical dispute on the impact of regional policy encompasses two clear options: the first is referred to as compensatory and the second as polarising.[8] Supporters of the compensatory option advocate that state intervention should be targeted at the poorest regions. Such intervention is aimed

[6] D. Milczarek, *Unia Europejska a globalizacja (The European Union and globalization)*, „Studia Europejskie", no. 3/2004, pp. 9–11.

[7] P. Dubel, *Polityka regionalna i Fundusze Strukturalne w praktyce (Regional Policy and Structural Funds in Practice)*, WZ UW, Warszawa 2012, pp. 11–13.

[8] J. Bachtler et al., op.cit.

at economy restructuring that should contribute to an increase in the growth rate and trigger the process of "catching up" with rich areas (regions).

Supporters of the polarisation option believe that any interference undermines the market mechanism, which is the most effective, and opt for the state refraining from any interference in regional development processes. In their opinion, any intervention not only fails to help weaker regions but even causes their underdevelopment.

Both options (compensatory and polarising) fit into the primary goal of economic development policy, all the more so since the enlargement of the European Union on 1 May 2004 brought in much poorer countries than the "old" EU-15, including regions far poorer than those of the previous Union. The enlargement process posed a two-fold challenge to the regional development policy: firstly, it led to a more than double increase in the population living in regions with the per capita GDP below 75% of the then EU average; secondly, it broadened the scale of existing disparities.

On the basis of data (Eurostat), it can be concluded that the richest regions such as Luxembourg have the average per capita GDP exceeding 200% compared to the EU-28 = 100. Meanwhile, for the poorest regions such as Romania, the per capita GDP does not exceed an average of approximately 47%.[9] Such a considerable variation in regional development has meant that all regions of countries that joined the European Union in 2004 and later are currently covered by Objective 1 of regional development policy, namely convergence, that is the achievement of greater cohesion of the least developed member states and regions by improving conditions for economic growth and increasing employment[10].

Poland's access to structural funds and the Cohesion Fund[11] was and still is commonly recognised as one of crucial benefits of Poland's membership of the European Union. EU structural funds provide an opportunity to supplement national capital that can be allocated to economic and social development through expenditure on economic and social infrastructure, reinforcement of competitiveness of economic operators and entire sectors, and development of human resources[12]. At the same time,

[9] https://ec.europa.eu/eurostat/documents/2995521/7962764/1-30032017-AP-EN.pdf/ 4e9c09e5-c743-41a5-afc8-eb4aa89913f6 (last visited 3.09.2018).

[10] J. Uryga, W. Magielski, I. Bienias, *Środki unijne – klasyfikacja, funkcjonowanie, ewidencja i rozliczanie (EU funds – classification, functioning, registration and settlement)*, Gdańsk 2007, pp. 8–10.

[11] These are the main financial instruments of regional development policy. More in: P. Dubel, op.cit.

[12] M. Hryniewiecka, *Wpływ funduszy unijnych na rozwój sektora MSP w Polsce w latach 2007–2013 (Impact of EU funds on the development of the SME sector in Poland in 2007–2013)*, Warszawa 2015, pp. 108–117.

structural funds, according to their substance, enforce changes in social and economic structures, leading to the emergence of a modern economy and a developed society[13].

High absorption is conditioned, above all, by co-financing of projects that bring about a structural, and thus long-term, effect. Adequate organisational, staffing and institutional arrangements are necessary for the success in obtaining non-returnable transfers from the EU. Absorption capacity is built up when structural funds are competed for in a country. Thus, partnership mechanisms between the administration, regional and local governments and private actors are developed.

As regards Poland, the implementation of the European regional development policy (under the so-called first and second programming periods) meant the potential for using approximately EUR 78 billion in 2004–2015. In terms of the value of contracts signed for EU co-financing, the following regions took the lead: Mazowieckie, Śląskie, Wielkopolskie and Dolnośląskie, namely those with the highest per capita GDP. In the current 2014–2020 programming period, the support under EU funds is about EUR 83 billion, making Poland a leader in the EU-28.

From the perspective of the closed second programming period 2007–2013, the main outcomes of the implementation of regional development policy in Poland include:[14]

1. Support for about 43,000 companies – approximately 63,000 projects completed,
2. Creation of about 380,000 new jobs,
3. Around 9 million people benefited from the ESF,
4. Around 4,000 projects completed by universities,
5. A total of approximately 16,000 kilometres of roads and motorways renovated and built,
6. Around PLN 54 billion paid to approximately 1.4 million agricultural holdings.

The membership balance shows that Poland has grabbed its chance offered by the EU better than other countries in our region. It has become the leader of economic growth – after joining the EU, our GDP increased by approximately 49%. Poland has achieved the best result not only among the countries in our region but also in the entire EU (Figure 1).

[13] Z. Brodecki, *Regiony (Regions)*, Warszawa 2005, pp. 154–156.

[14] Based on the 2014 report "Polskie 10 lat w Unii" (Poland's 10 years in the Union) published by the Polish Ministry of Foreign Affairs in Warsaw.

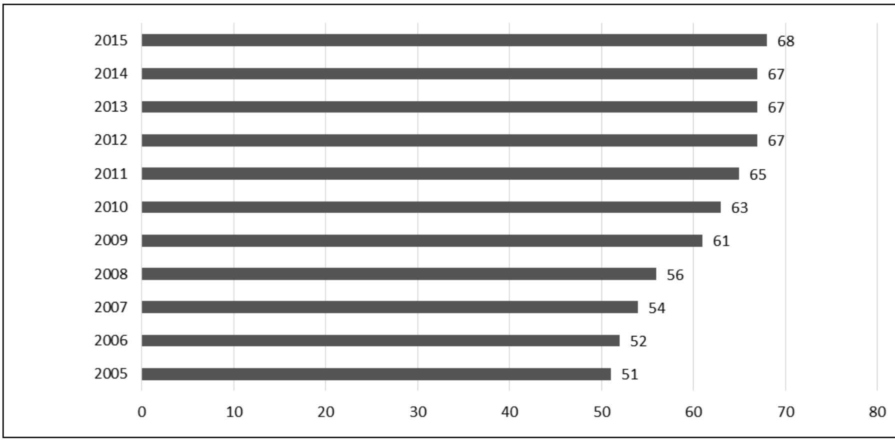

Figure 1. Per capita GDP in Poland in 2005–2017, for EU-28 = 100

Source: Prepared by the author on the basis of Eurostat data (last visited 3.09.2018).

As shown in Figure 1, the Polish economy weathered the global economic crisis (i.e. the global crisis in financial and banking markets that peaked in European markets in 2008–2010) without seeing a decrease in its per capita GDP in relation to the previous year, while achieving continuous growth by 2015.[15]

The results of the analysis on the implementation of regional development policy are presented up till 2015, the year when the programming period was closed according to the n+2 rule where "n" is the last programming year.

Programming of financial support under regional development policy is basically divided into two primary groups: national programmes[16] and Regional Operational Programmes (ROPs).[17] Our voivodships had over EUR 71 billion to spend under ROPs. The implementation rates for allocated funds as at the end of 2015 are presented in Figure 2.

By the end of 2015, 36.3 thousand co-financing contracts were signed under 16 RPOs. Their value was PLN 111.0 billion. Thus, around 94% of EU funds available under regional programmes were spent. As can be

[15] The per capita GDP recorded in 2015 (68% for the EU-28) is constantly growing, reaching 70% of the per capita GDP for the EU-28 as an effect of the implementation of regional development policy in Poland.

[16] We have approximately EUR 46 billion to spend under 6 national operational programmes for 2014–2020.

[17] Investments under ROPs boost interregional competitiveness among others through building basic infrastructure and supporting the development of human capital and entrepreneurship. In Poland, 16 ROPs have been prepared for 2014–2020, meaning that each voivodship has drawn up its own development programme.

seen from the presented absorption rates (Figure 2), we can distinguish voivodships that are more and less successful at spending the financial support received. The best result was achieved by voivodships: Opolskie and Dolnośląskie – 99% of the allocation for ROP. A high level of spending in relation to the available allocation was also noted for the Podkarpackie Voivodship (98%). In the group of 16 regions, as many as 8 spent less than average (94%). These include: Zachodniopomorskie (91%), Śląskie (92%), Podlaskie (91%), Mazowieckie (92%), Małopolskie (92%), Łódzkie (92%), Lubuskie (92%).

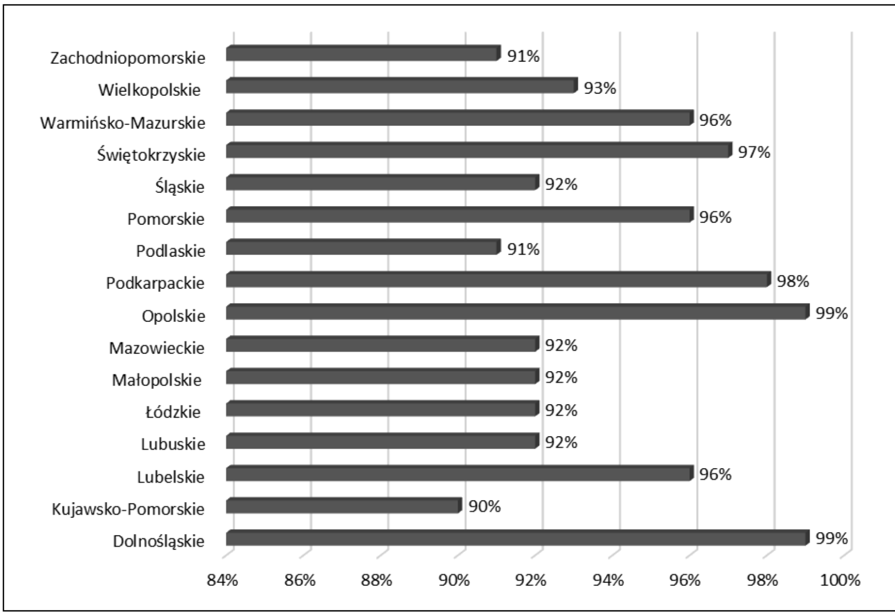

Figure 2. Implementation rates for EU funds under ROPs

Source: Prepared by the author based on: https://www.funduszeeuropejskie.2007-2013.gov.pl/AnalizyRaportyPodsumowania/Sprawozdania/Documents/NSRO_miesieczna_grudzien_2015.pdf (last visited 27.09.2018)

The achieved absorption rates and differences between the various regions as regards the amount of funds spent under ROPs are directly linked with, among others: institutional efficiency, the time elapsed from the competition notice until contracts were signed and the speed of reimbursement of funds for the implemented investment activities. In particular, the speed of reimbursement is a fairly important factor supporting efficient spending of EU funds from the perspective of financing the development of entrepreneurship, which is one of the primary objectives of ROPs in Poland.

Barriers to Access to EU Funds. The Author's Research

Since 2004, Polish enterprises have gained not only access to new markets and an opportunity for broader export expansion. Simultaneously, they have also got a considerable chance of development thanks to the EU structural funds that allow economic and social cohesion of Polish regions to be achieved. After the closure of the second programming period 2007–2013, the author of this article carried out a survey in 2016 on: "Barriers to access to EU funds".

The survey was aimed at identifying barriers to access to EU funds for micro, small, medium-sized and large enterprises. The selected survey method enabled the assessment of relationships between the wish to apply for EU funds and obstacles to obtaining them. The survey area was the Mazowieckie Voivodship and the research tool was a group administered PAPI questionnaire. The survey covered 186 entrepreneurs.[18] Figure 3 illustrates the survey sample structure in terms of company size.

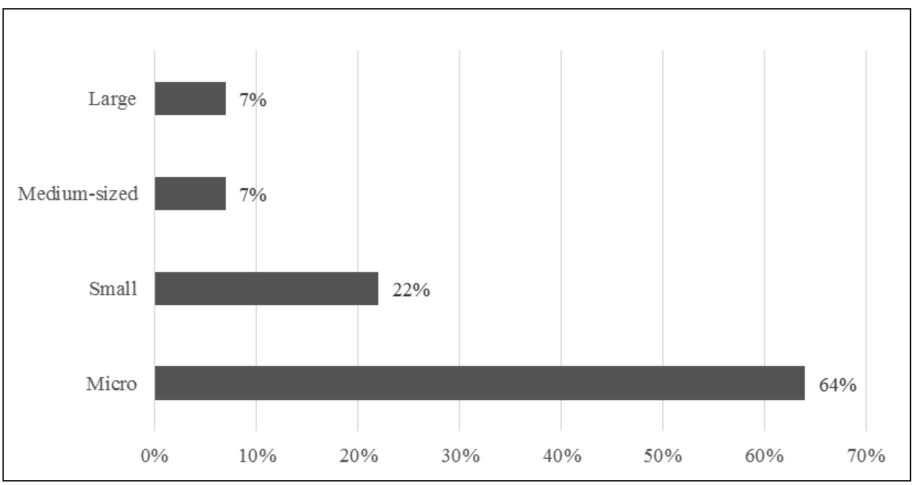

Figure 3. The survey sample structure in terms of company size (%)

Source: Prepared by the author on the basis of the conducted survey.

Entrepreneurs were asked to indicate the most frequent barriers to access to EU funds, divided into 3 main groups: informational, financial and procedural. Based on the obtained results, the most frequent barriers to access to EU funds can be clearly identified (Table 1).

[18] The interviewees were participants of projects implemented at the Faculty of Management, University of Warsaw, in 2007–2015 under the Operational Programme "Human Capital" and Regional Operational Programme for the Mazowieckie Voivodship.

Table 1. Barriers and types of difficulties in access to EU funds

Barriers	Type of difficulties	% of responses
Informational	Unclear guidelines	15
	No reliable information	29
Financial	Too long time until expenses are reimbursed	46
	Too long time until competition winners are revealed	36
Procedural	Bureaucracy	41
	Guidelines on project implementation changed too often	29

Source: Prepared by the author on the basis of the conducted survey.

As shown by the results in Table 1, the most frequently indicated informational barriers included difficulties in the interpretation of unclear guidelines (at both application and project implementation stages, 15% of respondents) and no reliable information from information points (29% of respondents). Financial barriers primarily encompass too long time until expenses are reimbursed (46% of respondents) and too long waiting time until competition winners are revealed. For entrepreneurs, one of the most important success factors is financial liquidity, which may be disrupted as a result of too long time elapsing until payment applications are verified – the main factor affecting when incurred costs are reimbursed.

Regarding procedural barriers, entrepreneurs indicated broadly understood bureaucracy (41% of respondents) and too frequent changes of guidelines on project implementation (29% of respondents) as the main obstacles to access to EU funds. Obviously, excessive bureaucracy results in prolonged assessment of applications and grant decisions. In turn, changes of guidelines on project implementation make entrepreneurs in the SME sector (taking into account the time that they would have to spend each time to read new rules) prefer to subcontract projects rather than to implement them with their own resources.

Respondents believe that the process of obtaining structural funds will be streamlined provided that procedures are simplified at both national and regional levels, the time elapsing until costs are reimbursed and competition winners are revealed is shortened, the information system as regards the possibility of obtaining EU funding is changed and the quality of information centres is improved.

Conclusions

The opportunity to use EU funds has been and continues to be the main factor supporting the development of our regions and increasing their competitiveness. A high absorption rate of above 95% of the 2004–2014 allocation directly helped, among others, to build a knowledge-based society capable of meeting contemporary demographic challenges and competing in the globalising European economy, to introduce new demanded courses of study (adequate to the needs of the changing market) and to develop broadband Internet (which reduced the exclusion in terms of access to the media). This was possible due to decentralisation of the management of EU funds at the level of our regions, the use of experience gained in the pre-accession period (when Poland benefited from the PHARE, SAPARD and ISPA funds) and in the first 2004–2006 and the second 2007–2014 programming periods, establishment of a separate ministry responsible for programming and implementing funds under regional development policy, and improvement of qualifications of central, regional and local government administration staff responsible for programming and implementing EU funds.

The results of the conducted survey confirm the most frequent opinions about problems with access to EU funds faced by entrepreneurs, first and foremost ensuing from poor or very poor information on application rules and procedures, too much bureaucracy prolonging the refinancing process and unclear guidelines regarding the eligibility of expenditure. Unless the identified barriers are lifted, the absorption rate of EU funds will decrease, divergence processes will escalate, thus contributing to the socio-economic marginalisation of our regions, and the competitiveness of our companies that improve locational advantages for future investments will be reduced. The implemented forms of support under, among others, ROPs are now helping to improve the situation of domestic economic operators. This is particularly important in economically weak subregions (poviats) where a deficit of such institutions often creates a barrier to socio-economic development.

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