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TRANSFER OF INNOVATION IN STRUCTURAL FUNDS – LOWER SILESIA CASE STUDY

Summary: The research about EU funds is limited to the basic papers, which is the result of the dynamic nature of application system, differences among regional systems, and between regional and national systems. Non-standard analysis are needed, especially on horizontal and vertical level. The evaluation of final results of II Programming Period 2007-2013 may be oriented at particular variables or holistic perspective. The transfer of innovation by enterprises is important because of increasing the level of competitiveness. The Lower Silesia case study shows that on regional level innovations have a relative dimension, which is a result of purchasing new solutions instead of creating them. The subjects which transfer relative innovations are mainly represented by natural persons conducting business activity.

Keywords: EU funds, relative innovation phenomenon, Lower Silesia.

Currently, political and social discussion, connected with European funds and its influence on economic changes, concentrates on public infrastructure (e.g. public roads) and human dimension. Social research is limited to the basic papers. A lot of information available on common knowledge level is based on false opinion created by mass media. This situation is a result of:

- dynamic nature of application system in Poland,
- differences among regional systems,
- differences between regional and national systems.

Reliable studies on the influence of European funds on changes in different sectors of economy are held by Ministry of Regional Development. Some of them are dedicated to the analysis in small and medium enterprises. However, this kind of research has usually national dimension. There is a lack of regional statistics, which could involve different point of view.

A different point of view means the analysis concentrated on *prima facie* peripheral issue such as:

- legal form of economic activity characteristic of supported enterprises,
- sectors of economy which are mainly supported,
- relative innovation phenomena,

- the proportion of finished projects transferring innovative to the “non-innovative” projects,
- territorial range of analysis.

According to the actual mainstream in research of EU funds and its influence on Polish economy, some of the topics mentioned above are, as it was said, peripheral. Especially, there is hardly any analysis about the legal form of economic activity adequate to the supported enterprises. However, the classification of supported enterprises on this level could create a platform for further strategic planning, especially toward more effective transfer of EU financial aid.

This article provides the analysis connected to peripheral topics, which may appear non-peripheral ones. The analysis is based on some statistics authorized by Local Authority of Lower Silesia. Despite the fact that more than 100 project have been undertaken, only 31 have been already finished successfully.

Firstly, these 31 projects were analyzed from the point of view of legal form of economic activity characteristic of supported enterprises. Secondly, the author concentrates on the proportion of finished projects transferring innovative to “non-innovative” projects and the relative innovation phenomena.

According to the available data during the Second Programming Period in the years 2007-2010 only 31 projects held by enterprises were finished. The analysis of this statistics showed that more than 50% of finished projects were conducted by natural persons.

Table 1. Finished projects held by enterprises

Legal form of entity	Number of projects
individual economic activity	16
civil company	3
general partnership	4
partner company	0
limited partnership	0
joint stock limited company	0
public limited company	7
joint stock company	1
Total	31

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficjentow_RPOWD_zakonczzone.pdf

It is also symptomatic that there is a number of legal form of economic activity which were not identified as a beneficiary of Structural Funds in Lower Silesia. Currently there is no example of investment which was held and finished by partner company, limited partnership or joint stock limited company.

Table 2. Number of projects in particular value range

Total value/entity	0-200 000	200 001-400 000	400 001-600 000	600 001-800 000	800 001-1 000 000	1 000 001-1 200 000	1 200 001-1 400 000	1 400 001-1 600 000	1 600 001-1 800 000
individual economic activity	5	2	0	1	1	1	1	1	1
civil company	0	0	1	0	0	0	0	1	0
general partnership	1	0	0	1	1	1	0	0	0
partner company	0	0	0	0	0	0	0	0	0
limited partnership	0	0	0	0	0	0	0	0	0
joint stock limited company	0	0	0	0	0	0	0	0	0
public limited company	0	1	0	1	2	0	0	0	0
joint stock company	0	0	0	0	0	0	0	0	0
Total value/entity	1 800 001-2 000 000	2 000 001-2 200 000	2 200 001-2 400 000	2 400 001-2 600 000	2 600 001-2 800 000	2 800 001-3 000 000	3 mln to 5 mln	5 mln to 7 mln	More than 7 mln
individual economic activity	0	0	0	1	0	1	1	0	0
civil company	0	0	0	0	0	0	1	0	0
general partnership	0	0	0	0	0	0	0	0	0
partner company	0	0	0	0	0	0	0	0	0
limited partnership	0	0	0	0	0	0	0	0	0
joint stock limited company	0	0	0	0	0	0	0	0	0
public limited company	0	0	0	0	0	1	2	0	0
joint stock company	0	0	0	0	0	0	0	0	1

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficjentow_RPOWD_zakonczona.pdf

The second phenomenon in the transfer of EU funds to private sector in Lower Silesia is connected with the value of individual project.

The statistics show that contrary to the known opinion, micro and small entities represented mostly by natural persons are able to lead a huge investment as well as more developed organisms such as public limited company.

The following figure indicates:

- the total value of 31 finished projects, which are presented according to the legal form of economic activity; the most frequented value was found in range of 0 to 1 800 000 PLN and is characteristic of each form of economic activity,
- value of financial support transferred to enterprises.

More than 50% of finished projects was leaded by entities identified as natural persons. The value of financial support in this kind of projects was lower than 1 600 000 PLN, what is the consequence of limited financial resources.

Analyzing the proportion of finished projects transferring innovative to the “non-innovative” projects, the categories of finished investment should be presented as initial information. According to the available data, only two competitions have been offered by Local Authority of Lower Silesia. First one which concentrated on grants for micro, small and medium enterprises was dedicated to the innovation of a product or/and process or/and marketing level. Second one concentrated on grants for micro, small and medium enterprises was dedicated to an investment which provided a platform for tourist infrastructure development and increasing marketability of tourism.

The first type of investment, which determines the transfer of innovation composed 64.5% of all 31 finished projects. The range of value of EU financial support in this investment is presented on the following figure.

The layout of value ranges from 0 to 1 600 000 PLN, what means that most of projects involved supplies of hi-tech machines, apparatus and other equipment.

The projects which are mentioned show the relative innovation phenomenon, which was understood as a change of standard of offered products or/and of process in a particular entity. Product innovation is defined as one which compared with the previous one introduces new or significantly improves standard, product or service. Improvement could be connected with technology as well as other solution. Process innovation is defined as one which compared with the previous one includes new or significantly improves standard methods of manufacturing or supplies.

Relative innovation phenomenon means the development of particular enterprises by buying new technologies, patents, licence, which should serve either to offer new products or services, or to provide new process in management. Providing relative innovation means that a particular entity purchases some solutions (such as patents, etc.) rather than creates them. Creating innovation is proper for huge corporations which have their own research and development entities. Because of financial limits micro and small enterprises are not able to support own R&D departments what explains the importance of relative innovation phenomenon.

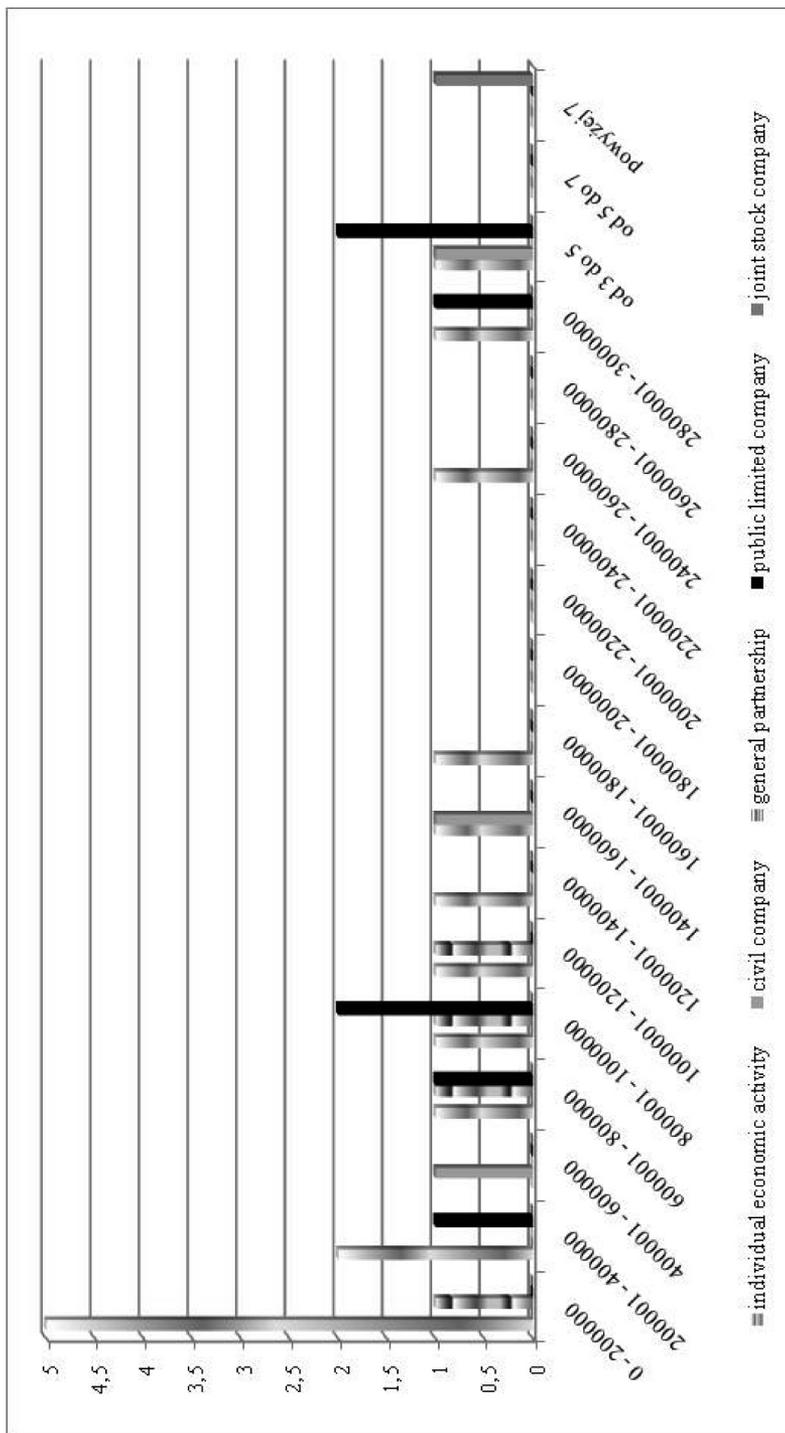


Figure 1. Total value of 31 finished projects

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficjentow_RPOWD_zakonezone.pdf

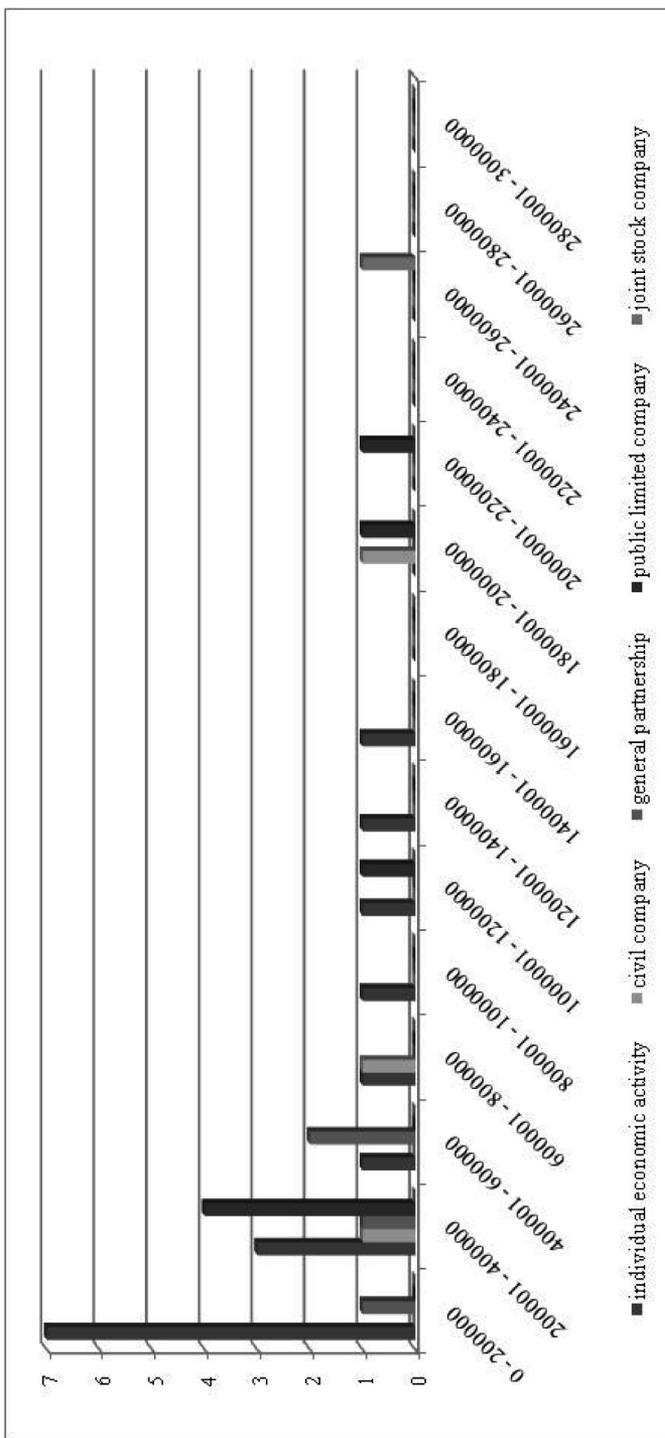


Figure 2. Value of financial support transferred to the enterprises

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficjentow_RPOWD_zakonczone.pdf

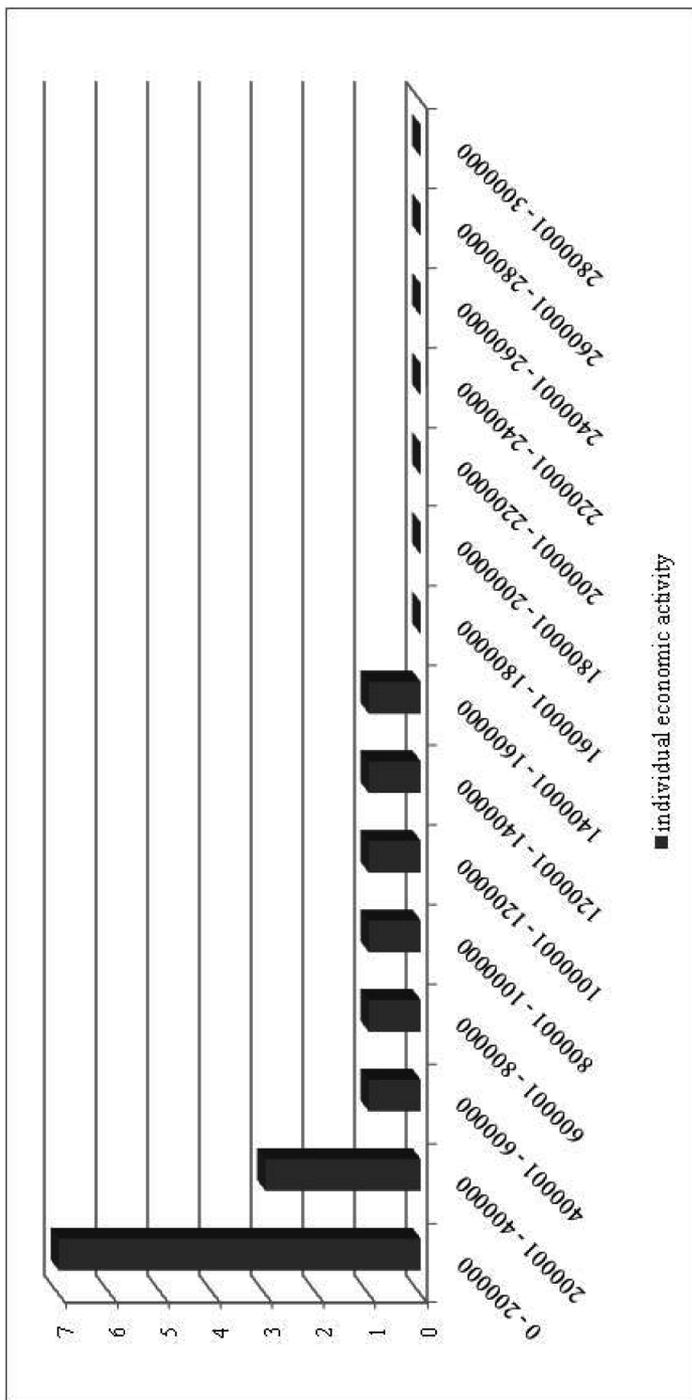


Figure 3. Value of financial support for entities identified as natural persons

Based on: http://dolnyslask.pl/upload/RPO/lista/lista/100401_Lista_beneficjentow_RPOWD_zakonezone.pdf

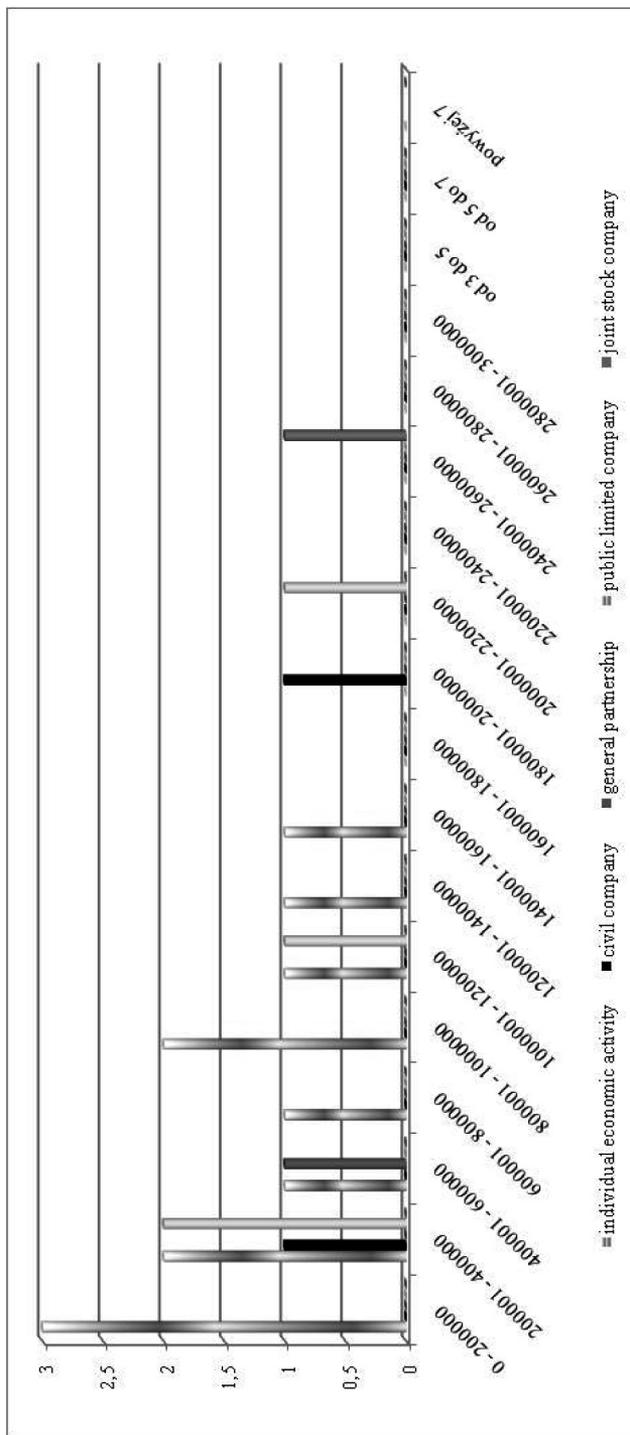


Figure 4. Value of EU financial support for innovative projects

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficjentow_RPOWD_zakonczone.pdf

Table 3. Number of innovative projects in a particular financial support value range

Support value/entity	0- 200 000	200 001- 400 000	400 001- 600 000	600 001- 800 000	800 001- 1 000 000	1 000 001- 1 200 000	1 200 001- 1 400 000	1 400 001- 1 600 000	1 600 001- 1 800 000
individual economic activity	3	2	1	1	2	1	1	1	0
civil company	0	1	0	0	0	0	0	0	0
general partnership	0	0	1	0	0	0	0	0	0
partner company	0	0	0	0	0	0	0	0	0
limited partnership	0	0	0	0	0	0	0	0	0
joint stock limited company	0	0	0	0	0	0	0	0	0
public limited company	0	2	0	0	0	1	0	0	0
joint stock company	0	0	0	0	0	0	0	0	0
Support value/entity	1 800 001- 2 000 000	2 000 001- 2 200 000	2 200 001- 2 400 000	2 400 001- 2 600 000	2 600 001- 2 800 000	2 800 001- 3 000 000	3 mln to 5 mln	5 mln to 7 mln	More than 7 mln
individual economic activity	0	0	0	0	0	0	0	0	0
civil company	1	0	0	0	0	0	0	0	0
general partnership	0	0	0	0	0	0	0	0	0
partner company	0	0	0	0	0	0	0	0	0
limited partnership	0	0	0	0	0	0	0	0	0
joint stock limited company	0	0	0	0	0	0	0	0	0
public limited company	0	1	0	0	0	0	0	0	0
joint stock company	0	0	0	1	0	0	0	0	0

Based on: http://dolnyslask.pl/upload/RPO/lista/100401_Lista_beneficientow_RPOWD_zakonczone.pdf

EU funds are used by public entities and private sector. However, the transfer of innovation is stronger in non-public enterprises. Lower Silesia case study shows that the level of use of EU financial support in the years of 2007-2010 measured by the number of finished projects is lower than expected. More than 60% of finished projects concentrated on the transfer of relative innovation, defined as a change of standards of offered products or/and of a process in the particular entity by purchasing new technologies, patents, licences, etc. More than 50% of innovative projects was conducted by natural persons.

Summing up, the Lower Silesia case study shows that on regional level innovations have a relative dimension, which is a result of purchasing new solutions rather than creating them. The main group of enterprises which transfers relative innovation is represented by natural persons.

These conclusions should be verified from the horizontal as well as vertical point of view. Horizontal verification means comparing the final results of Second Programming Period in the years 2007-2013 in all 16 voivodeships. Vertical point of view means comparing the final results of Second Programming Period in the years 2007-2013 between regional and national level. However, comprehensive vertical and horizontal analysis may be led not before the year 2016.

Literature

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TRANSFER INNOWACJI W FUNDUSZACH STRUKTURALNYCH NA PRZYKŁADZIE DOLNEGO ŚLĄSKA

Streszczenie: Badania nad funduszami strukturalnymi są ograniczone do kwestii podstawowych, co jest pochodną dynamicznej natury systemu aplikacji, różnic pomiędzy systemami regionalnymi oraz pomiędzy systemami regionalnymi a systemem ogólnopolskim. Występuje potrzeba prowadzenia niestandardowych analiz, zwłaszcza na poziomie horyzontalnym i wertykalnym. Ewaluacja końcowych rezultatów II Okresu Programowania może być zorientowana na wyszczególnione zmienne i ujęcie holistyczne. Transfer innowacji dokonywany przez przedsiębiorstwa jest istotny ze względu na podnoszenie poziomu konkurencyjności. Przykład Dolnego Śląska pokazuje, że na poziomie regionalnym innowacje mają charakter relatywny, co jest rezultatem nabywania nowych rozwiązań miast kreowania ich. Podmioty transferujące innowacje to głównie osoby fizyczne prowadzące działalność gospodarczą.