

Economic Effects of the Public and Private Sources

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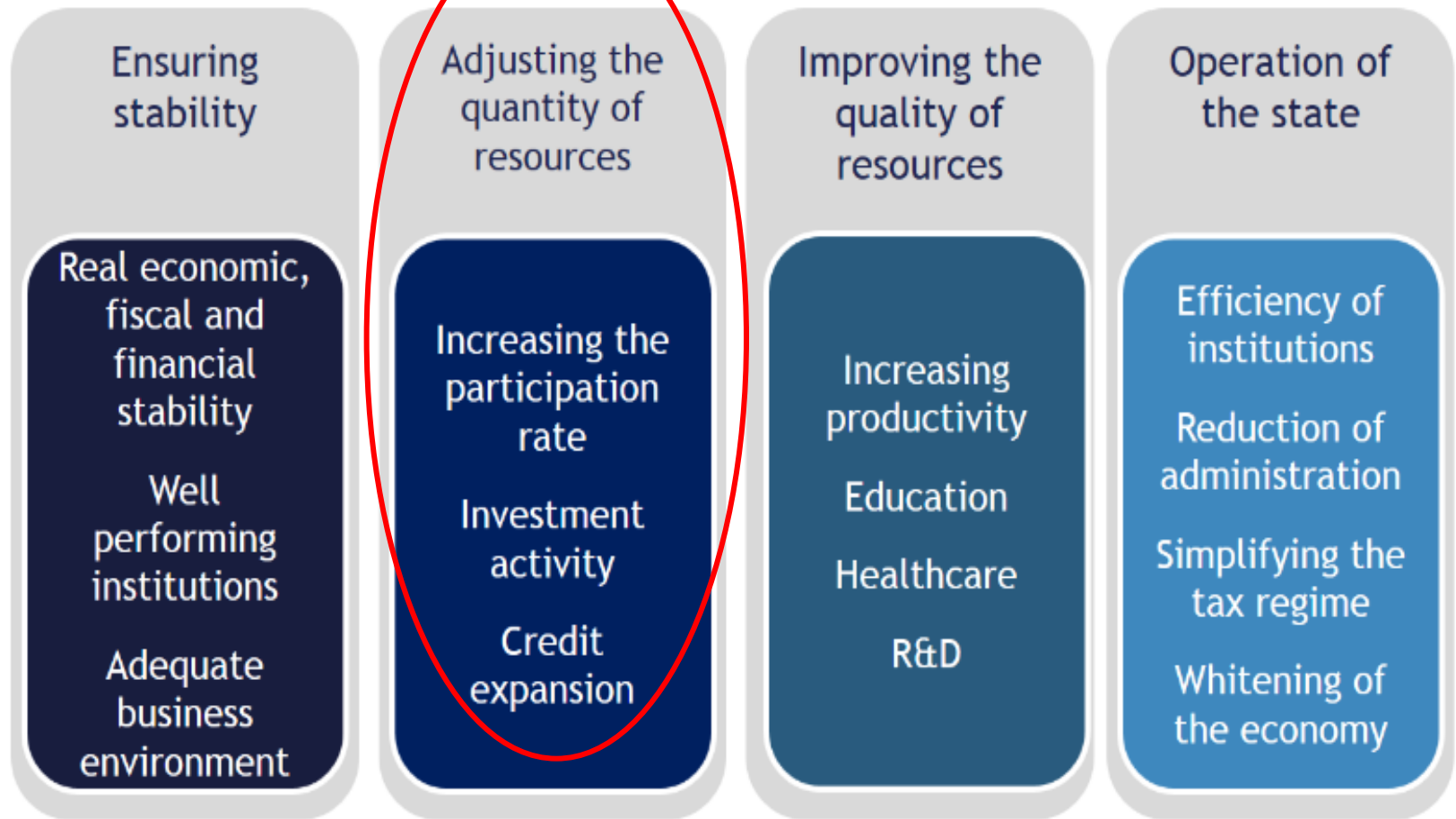
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The impact of economic policy on competitiveness

Economic policy, in the broader sense, may contribute to improve competitiveness in several ways



Aims, scope of the research



- what different public and private funding sources are available in Hungary and how they are being used by SMEs and occasionally larger companies
- what EU funding options exist in the 2014-2020 period, both in the form of non-repayable grants and also financial instruments including loans, equity and combined grants and loans
- what scale purely national sources are used for economic development and how they compare with EU funds

- desk based research on the available funds and their use and effects from public databases and other publicly available sources
- questionnaires are to be sent to SMEs to ask about their experience inter alia in using EU and other state versus private funding



Aims, scope of the research



- How the EU and national funds contributed to the development of the Hungarian economy at micro level:
 - the effects of economic development on enterprises: investments, employment, productivity and profitability;
 - the effects of human development on the participants: the effects on employability and income
 - the effects of infrastructural development on real estate prices
- Methodology: counterfactual impact evaluation

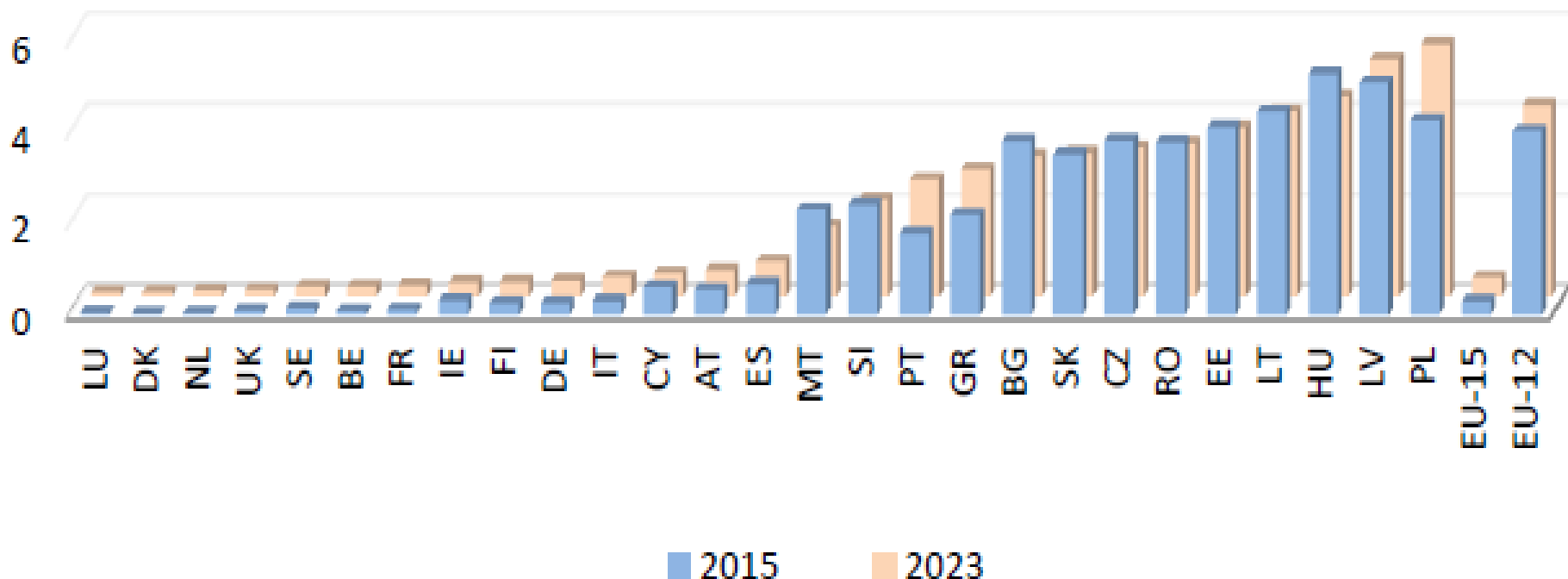


Aggregate investment rate (as a percentage of capital in the previous year)



Source: [OP 131. Péter Bauer – Marianna Endrész: Corporate investment in Hungary-stylised facts on micro data](#)

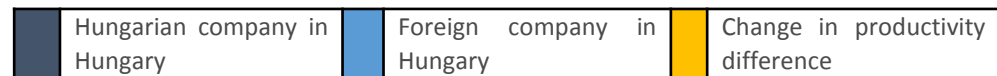
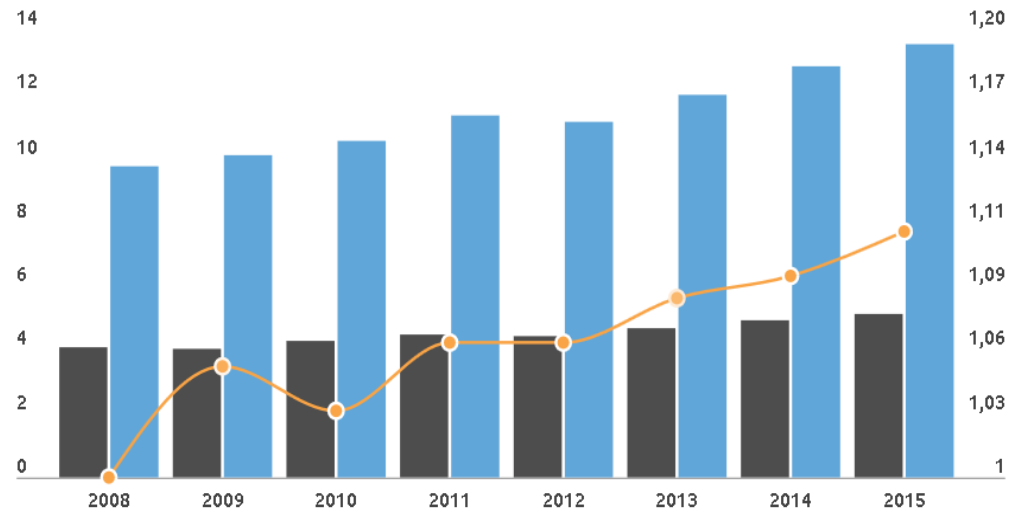
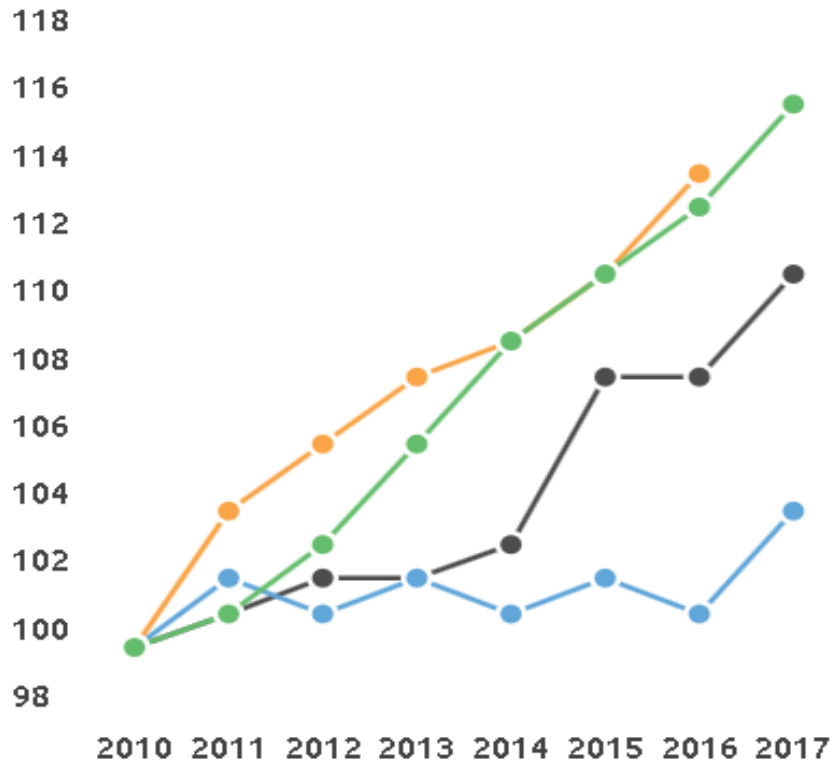
Impacts on GDP of cohesion and rural development policies in Member States, 2015 and 2023 (percentage deviation with respect to baseline)



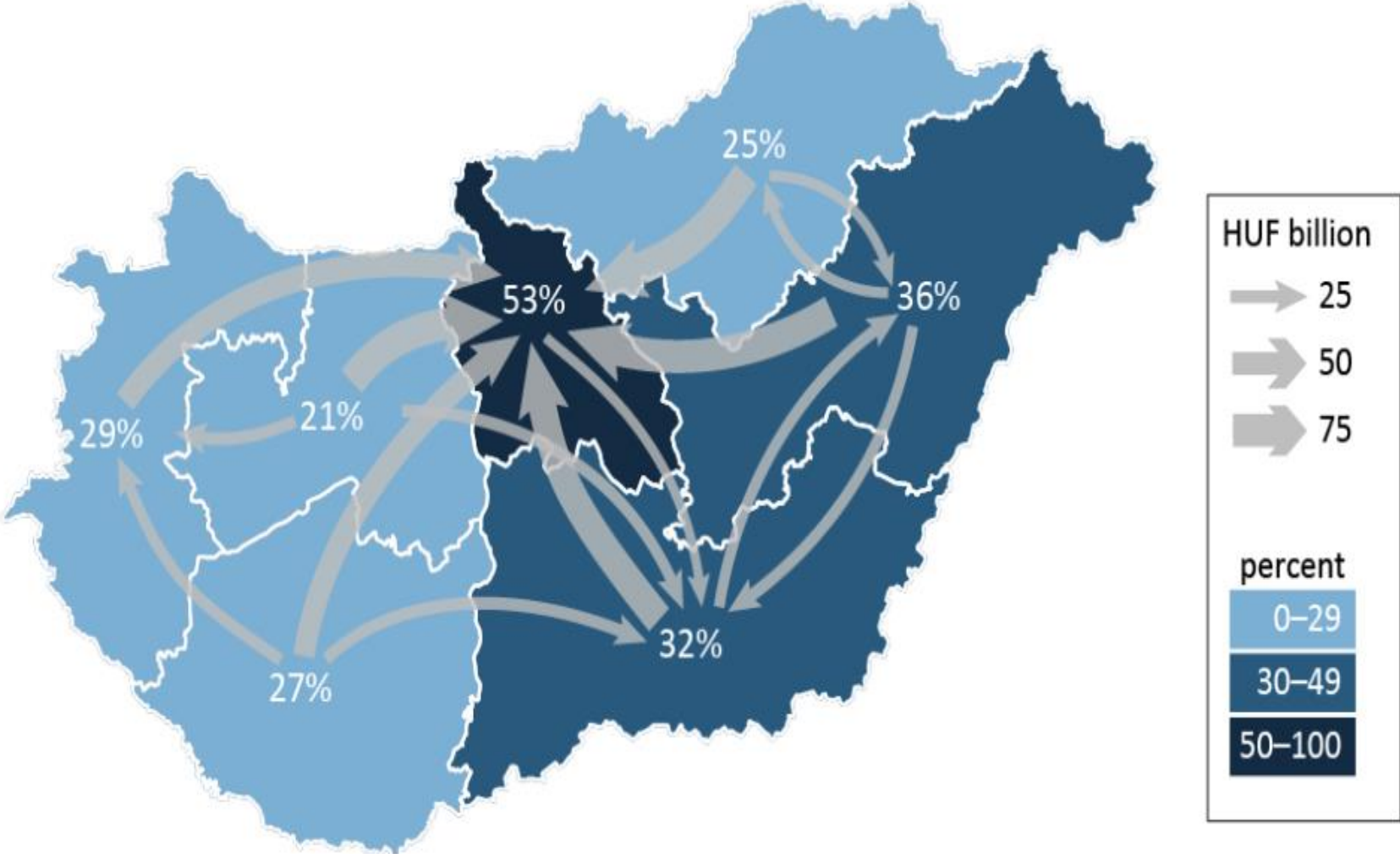
Source: Commission Staff Working Document Ex post evaluation of the ERDF and Cohesion Fund 2007-13 SWD(2016) 318 final

Productivity difference in Hungary (2008-2015; Base year: 2008)

GDP per hour worked (Total, 2010=100)



Proportion of subsidies spent at local suppliers out of the total amount distributed to projects undertaken in the region; amounts spent at suppliers in other regions



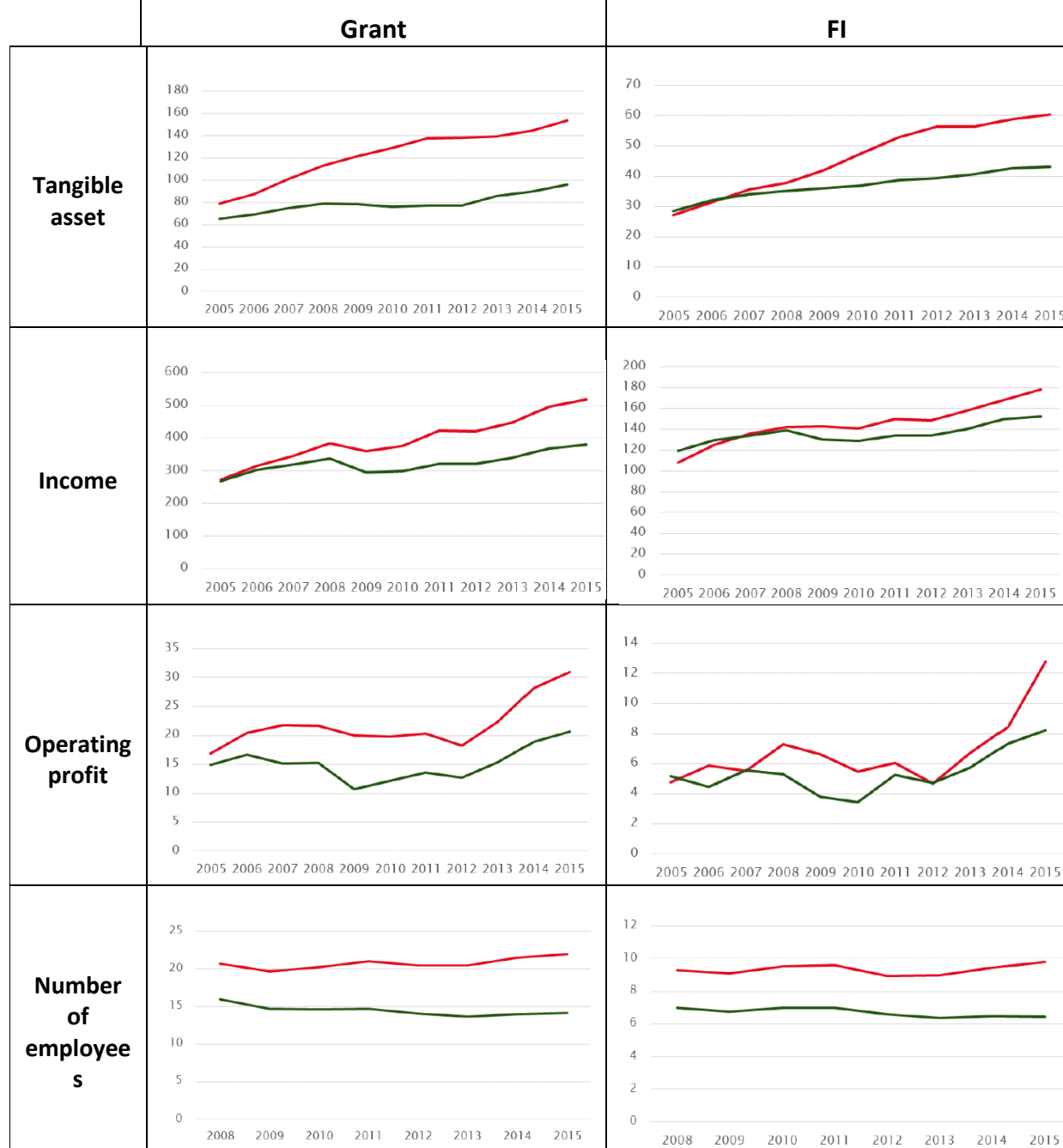
The effects of economic development on enterprises

- Research questions:
 - How the EU funds contributed to the development of the beneficiary enterprises?
 - Is there a difference in the scale of the effects for the different types of funding (i.e. grants vs. financial instruments and general investment subsidies vs. financing innovation)
 - Is there a difference in the scale of the effects between the more developed regions (Central Hungary) and the less developed regions (convergence regions)?

The effect of grants and FIs (million HUF) – results of a previous study*

Based on the results, the companies in Hungary use both the grants and FIs relatively well and they implement useful projects. FI sources are repayable and not bankable SMEs are using them, still with positive effects.

However, it seems that the profitability of the beneficiaries was not significantly affected by any of the support schemes!



Red: winners

Black: control group

The effects of human development on the participants

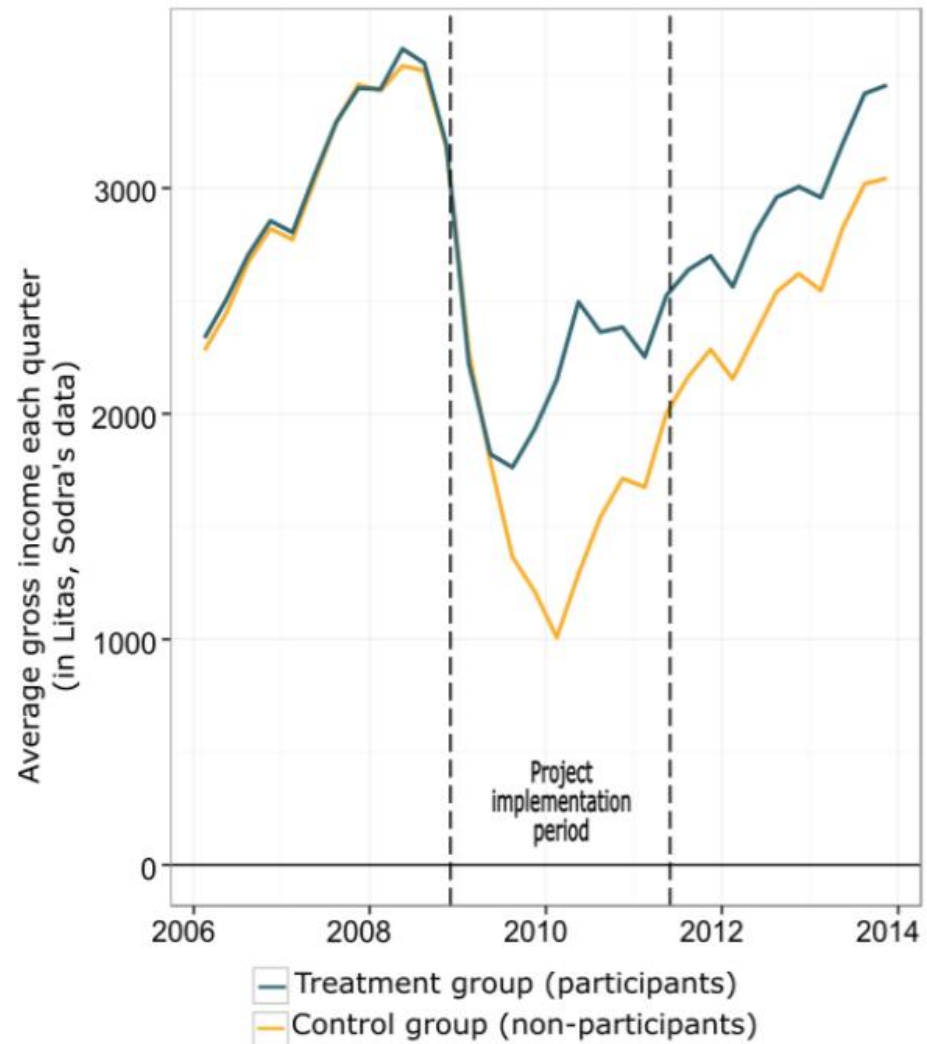
- Research questions:
 - How the EU co-funded programmes contributed to the employability of the participants?
 - Were the participants able to find better jobs, after the programmes? (Measured by the change of their income.)

The effect of EU funded active labour market programmes on participants' income – results of a previous study in Lithuania*

Based on the results, the programme participants earned more after the participation period, which shows positive effects of the programmes.

We are planning a study with similar scope and methodology in Hungary.

Gross income per quarter (in Litas)



The effects of infrastructure development on real estate prices

- Hypothesis:
 - If a development is positive for the neighbourhood, then the real estate prices near the development will go up (e.g. new underground stations).
- Methodology
 - Counterfactual impact evaluation

The effect of EU funded infrastructure development on real estate prices

- Treatment area
- Control area

This is a rather new area for couterfactual impact evaluation. The pilot will target the sorrounding area of the new Metro line in Budapest M4.

(The graph is only an illustration.)



Conclusions

Due to the lack of private funding or the conditions of the commercial finance, EU and national funding is still necessary to help economic development.

It is seen that more effort is needed to improve the productivity of Hungarian companies.

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Thank you for your kind attention!



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