

2018 SBA Fact Sheet

Poland



Key points

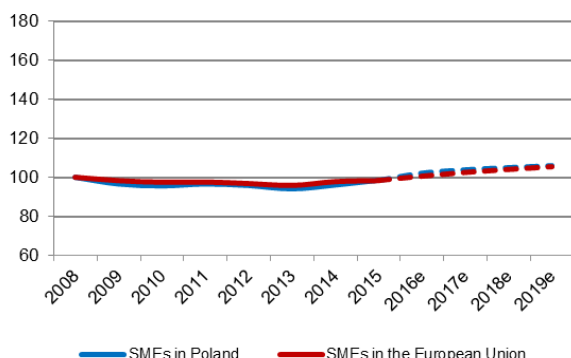
Past & future SME performance¹: SMEs account for 51.4 % of value added and 68.1 % of employment in Poland's 'non-financial business economy' in contrast to the respective EU averages of 56.8 % and 66.4 %. The average annual labour productivity of Polish SMEs is 2.6 times lower than the EU average. SME employment rose by 10.8 % in 2013-2017 and SME value added by 18.5 %. Most recently, in 2016-2017, SME employment grew by 1.7 %. The outlook for SMEs — and the Polish 'non-financial business economy' in general — remains positive for 2017-2019 with value added rising by 16 %. SME growth is likely to translate into a 2.1 % rise in SME employment.

Implementing the Small Business Act for Europe (SBA): Poland's SBA profile is uneven. The country performs above the EU average in three principles, namely entrepreneurship, access to finance and environment. However, this is offset by below-average performance on the single market and internationalisation. On skills & innovation, Poland has the weakest score. In the remaining principles, Poland performs on a par with the EU average. In general, since 2016, many SBA principles have been addressed in the government's 'strategy for responsible development' (*Strategia na rzecz Odpowiedzialnego Rozwoju*). Over the past year, most proposals were announced under the two flagship initiatives '100 Changes for Enterprises' and 'Constitution for Business'. However, it may take a few years before the results are assessed.

SME policy priorities: The area of skills & innovation continues to be problematic, with a lack of policy measures to ensure training support for the workforce and insufficient investment in innovation support. Further policy efforts are required to ensure a higher entrepreneurial focus in the Polish education system. Poland also needs to improve its performance in the single market and internationalisation principle by promoting exports within the EU and beyond and further developing support programmes for SMEs. One way of addressing this could be to improve the advisory services for SMEs on cross-border activities. Although under the 'second chance' principle there has been some improvement with a strong insolvency framework index, costly and lengthy insolvency procedures continue to be a problem. It remains to be seen whether the new programmes to help SMEs restructure and the 'Early Warning' programme will improve the situation.

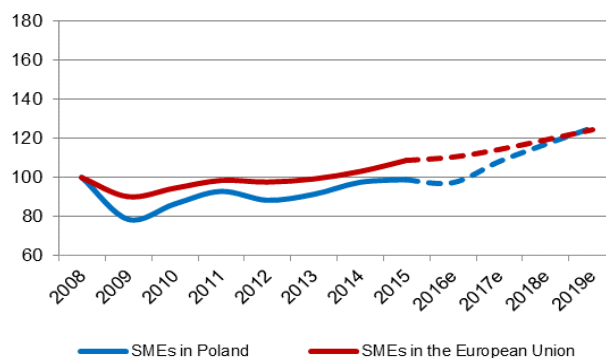
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2016 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2016 onwards)



About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Poland		EU-28	Poland		EU-28	Poland		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	1 623 093	95.7 %	93.1 %	3 445 505	37.8 %	29.4 %	33.7	16.5 %	20.7 %
Small	54 781	3.2 %	5.8 %	1 177 609	12.9 %	20.0 %	28.0	13.7 %	17.8 %
Medium-sized	14 821	0.9 %	0.9 %	1 585 267	17.4 %	17.0 %	43.3	21.2 %	18.3 %
SMEs	1 692 695	99.8 %	99.8 %	6 208 381	68.1 %	66.4 %	105.0	51.4 %	56.8 %
Large	3 296	0.2 %	0.2 %	2 907 128	31.9 %	33.6 %	99.1	48.6 %	43.2 %
Total	1 695 991	100.0 %	100.0 %	9 115 509	100.0 %	100.0 %	204.2	100.0 %	100.0 %

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs account for 51.4 % of value added and 68.1 % of employment in Poland's 'non-financial business economy', whereas the respective EU averages are 56.8 % and 66.4 %. The average annual labour productivity of Polish SMEs is about EUR 16 900 per person, which is 2.6 times lower than the EU average of EUR 43 900. The average size of SMEs in Poland is around 3.7 people, close to the EU average of 3.9 people. *Manufacturing and wholesale and retail trade* are the largest SME sectors, with combined contributions of 54.4 % to total SME value added and 53.6 % to SME employment — significantly higher contributions than the EU average.

Along with large companies, SMEs in the 'non-financial business economy' have been growth generators in recent years. SME

employment rose by 10.8 % in 2013-2017 and SME value added by 18.5 %². However, opposing growth trends were evident across different size-classes: whereas employment in micro firms grew by 18.1 % in 2013-2017, growth in small and medium-sized firms was merely 2.8 %. During this same period, small and medium-sized firms outperformed micro firms in terms of value added growth, with a rise of 19.6 % compared with 16.2 % in micro firms. Most recently, in 2016-2017, SME employment grew by 1.7 %. This increase was largely driven by micro firms, with a 2.6 % rise in employment.

Manufacturing plays an important role in the Polish economy. In 2013-2017, SME value added grew in line with value added growth in large firms: 29.5 % in SMEs, 28.3 % in large firms.

However, SMEs lagged behind the employment growth of large firms, rising by only 12.0 % versus 18.0 %. Compared to large manufacturing firms, the crisis of 2008 was harder for SMEs in the same sector, especially for micro firms. The highest annual fall in SME value added was a drop of 22.0 % in 2008-2009. Although value added slowly recovered in the following years, employment continued to decline until 2013, only exceeding its 2008 levels in 2017. The contributing factors included falling demand (both domestically and internationally), less investment, weaker liquidity and reduced access to credit^{3,4}. In 2014-2017, micro firms generated notable growth: 24.5 % in employment and 40.1 % in value added, outperforming small and medium firms, which showed lower growth rates of 4.4 % and 17.1 % respectively⁵. While the worst performance of micro firms was in 2008-2014, their improved employment growth in the following years made them the most successful group of firms overall in the period 2008-2017. This positive development is in line with the stronger performance of the Polish economy as a whole. It is also in line with the increasing demand from international markets and rising domestic consumption due to lower unemployment, higher wages and more generous social policies⁶.

In contrast to most sectors, which were affected by the 2008 crisis, the *information and communication* sector has generated steady SME growth since 2009. In 2017, SME employment in this sector was 55.7 % higher than its 2008 level, and in particular, the *computer programming and consultancy* sub-sector more than doubled its labour force. SME value added grew by 38.2 % in the same period, whereas it fell by 7.6 % in large firms. The sector has benefited from various forms of government support for innovation and relatively easy access to international clients⁷. It is considered to be in the vanguard of innovation and internationalisation for Polish SMEs⁸.

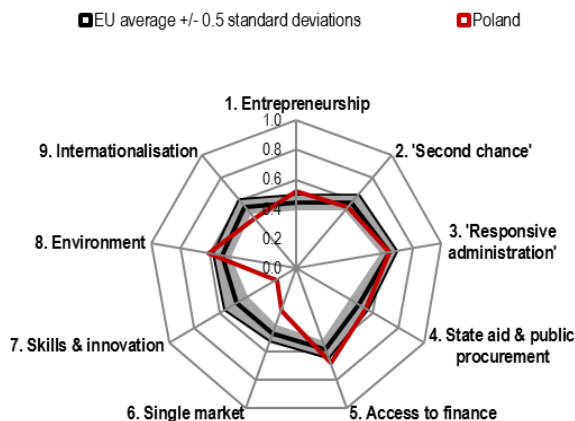
Since 2008, business registrations in Poland have generally followed a rising growth path, with the only growth falls in 2009 (due to the economic crisis) and 2011 (partly due to REGON, the National Official Business Register, removing inactive companies from the register)⁹. Since 2011, business registrations have stabilised at about 350 000-360 000 per annum. Since 2014, deregistrations have also stabilised, at around 290 000-300 000 per annum¹⁰. In 2017, there were 361 100 registrations and 286 800 deregistrations, resulting in a net gain of 74 300 new businesses, the highest number since 2013.

The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of online and technology based start-ups¹¹. The Polish startup ecosystem has been actively developing over the past few years. The typical Polish founder is male (74.6 %) and holds a university degree (81.7 %). However, Poland is leading the way for European female entrepreneurship, with 23.9 % female founders compared to the EU average of 15.6 %. Startups in Poland are to be found in many sectors such as IT and software development (21.1 %), or software as a service (25.4 %), with a European top position for the e-commerce sector (9.9 %, compared to the EU average of 3.3 %). Polish startups currently employ 10.6 people and are looking to create 7.8 jobs within the next 12 months. Unlike most EU startups, a noticeable share (15.0 %, compared to the EU average of 10.3 %) of Polish startups is generating revenue both through business-to-business and business-to-customers. Still the business-to-business sector is the main customer base from which revenue is generated (63.3 %). With internationalisation both inside the eurozone (92.4 %) and outside the eurozone (49.1 %), Polish startups are clearly looking to grow. The geographic startup hub for Poland is Warsaw with a growing community in Gdansk

Polish firms have successfully scaled-up their operations in recent years. In 2015, 10 084 firms — 10.3 % of all firms in the 'business economy'¹² with at least 10 employees — were high-growth firms¹³. This share is slightly higher than the EU average of 9.9 %. High-growth firms are most prevalent in *information and communication*, with a share of 14.9 % in 2015.

The outlook for SMEs — and the Polish 'non-financial business economy' in general — remains positive for 2017-2019 with value added rising by 16 %. Healthy growth is forecast for all sectors, with three specific sectors — *information and communication*, *professional, scientific and technical activities*, and *administrative and support services* — expected to generate higher growth for SMEs than the average for the economy. This indicates that the share of the service economy will increase over time to match the level of more economically advanced countries. SME growth is likely to translate into a 2.1 % rise in SME employment, representing an additional 128 500 jobs in 2017-2019.

2. SBA profile¹⁴



Poland has an uneven SBA profile, with above-average scores on entrepreneurship, access to finance and environment, which is offset by below-average performance on the single market and internationalisation. On skills & innovation, Poland has the lowest score of all Member States. Poland performs on a par in the remaining areas.

Since 2008, consecutive Polish governments have improved the legal framework for SMEs. Considerable achievements were made with the digitalisation of public administration, improved access to funding and smart support programmes. Polish SMEs still mention significant challenges, such as heavy and/or frequently changing administrative procedures, though low levels of innovation remain an obstacle to scaling up and expanding on international markets. Since 2016, such challenges have been addressed in the government's 'strategy for responsible development' (*Strategia na rzecz Odpowiedzialnego Rozwoju*), which aims to promote SME development by introducing a clearer and fairer legal framework, lower taxes and dues, and smart high-quality support services.

At the beginning of 2018, the Ministry of Economic Development was reorganised into the Ministry of Investment and Economic Development and the Ministry of Entrepreneurship and Technology, with the latter being the key entity responsible for drafting SME legislation. The Polish Agency for Enterprise

Development, through its newly branded SME Development Centre, is expanding comprehensive support programmes for SMEs. The newly established, independent office of the SME Ombudsperson will represent SME rights and interests in public policy.

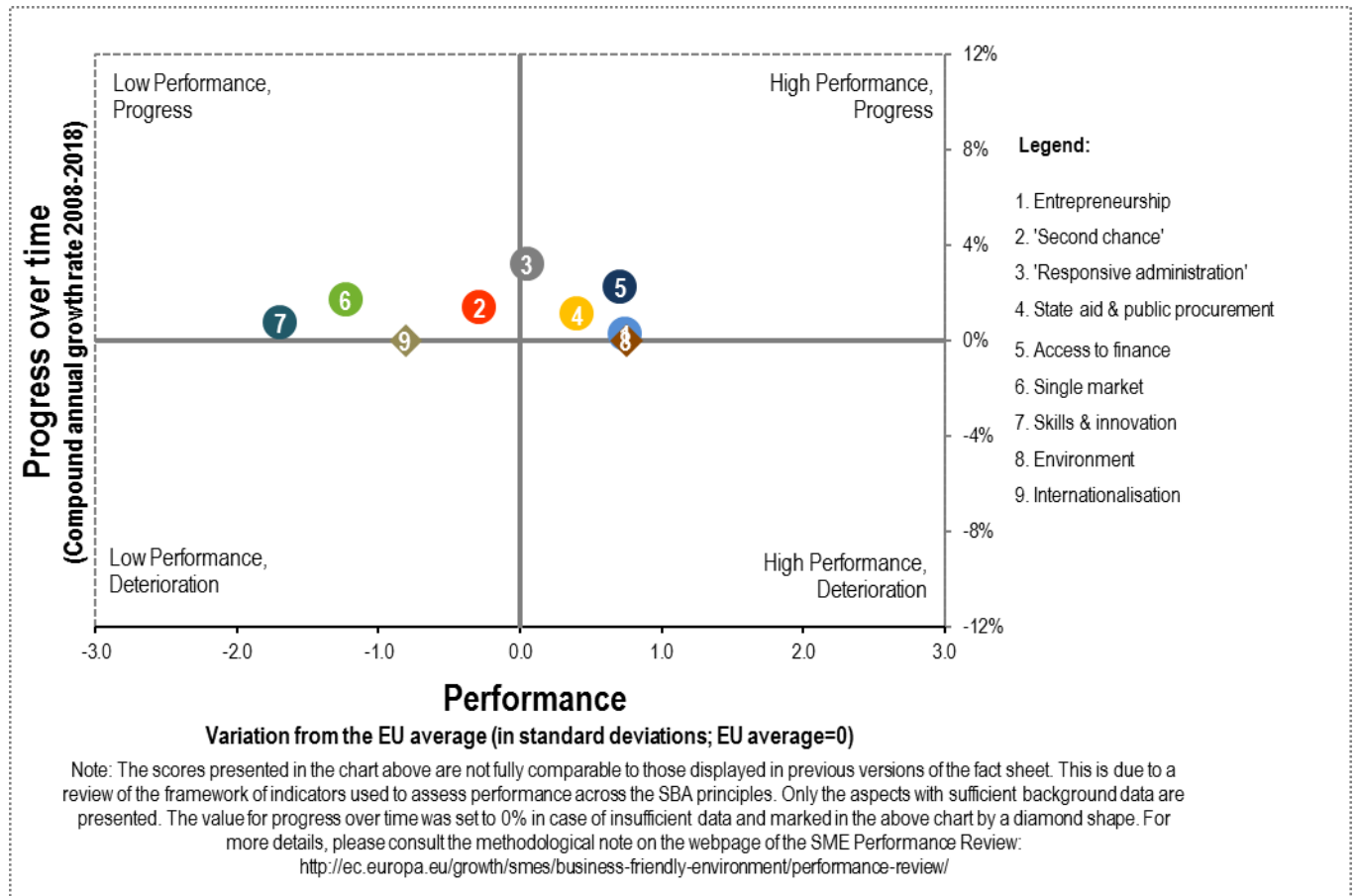
In 2017 and the first quarter of 2018 (the reference period for policy measures in this year's fact sheets), major legislative changes were announced, developed or implemented, mostly under the two flagship initiatives '100 Changes for Enterprises' and 'Constitution for Business'. While it may take a few years before the outcomes of many of these measures can be assessed, their announcements were welcomed with cautious optimism by SME stakeholders. They acknowledge they are important steps towards reducing the administrative burden on SMEs, improving the consistency and coherence of legal interpretations by public administrations and further advancing e-administration and e-government. The point of view of SMEs is taken into account when drafting new laws, such as the new Investment Support framework. Both new laws and programmes contribute to the implementation of the SME action programme, especially in the areas of better regulation and entrepreneurship.

The SBA policy areas most developed during the reference period were 'responsive administration', entrepreneurship, 'think small first' and skills & innovation, with an ambitious overarching goal of comprehensively improving the legal and institutional environment for SMEs. Family businesses can benefit from both new advisory support schemes and a newly announced law, enabling succession in sole proprietorship enterprises. Innovative SMEs benefit from expanded tax relief for research and development (R&D) and automation costs.

All SBA areas were covered by new policy measures during the reference period. Smart support programmes have contributed to progress in areas that Polish SMEs have traditionally struggled in, such as skills & innovation and internationalisation. Environment, single market, access to finance and state aid & public procurement saw relatively minor advancements, although some of these areas are the focus of laws currently in the making.

Stakeholders indicate that micro-sized, newly established, and innovative companies are the three groups of SMEs that are currently the focus of public support, but all SMEs could to some extent benefit from ambitious policy changes implemented or announced during the reference period.

SBA performance of Poland: state of play and development from 2008 to 2018¹⁵



3. SBA principles¹⁶

3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policymaking process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

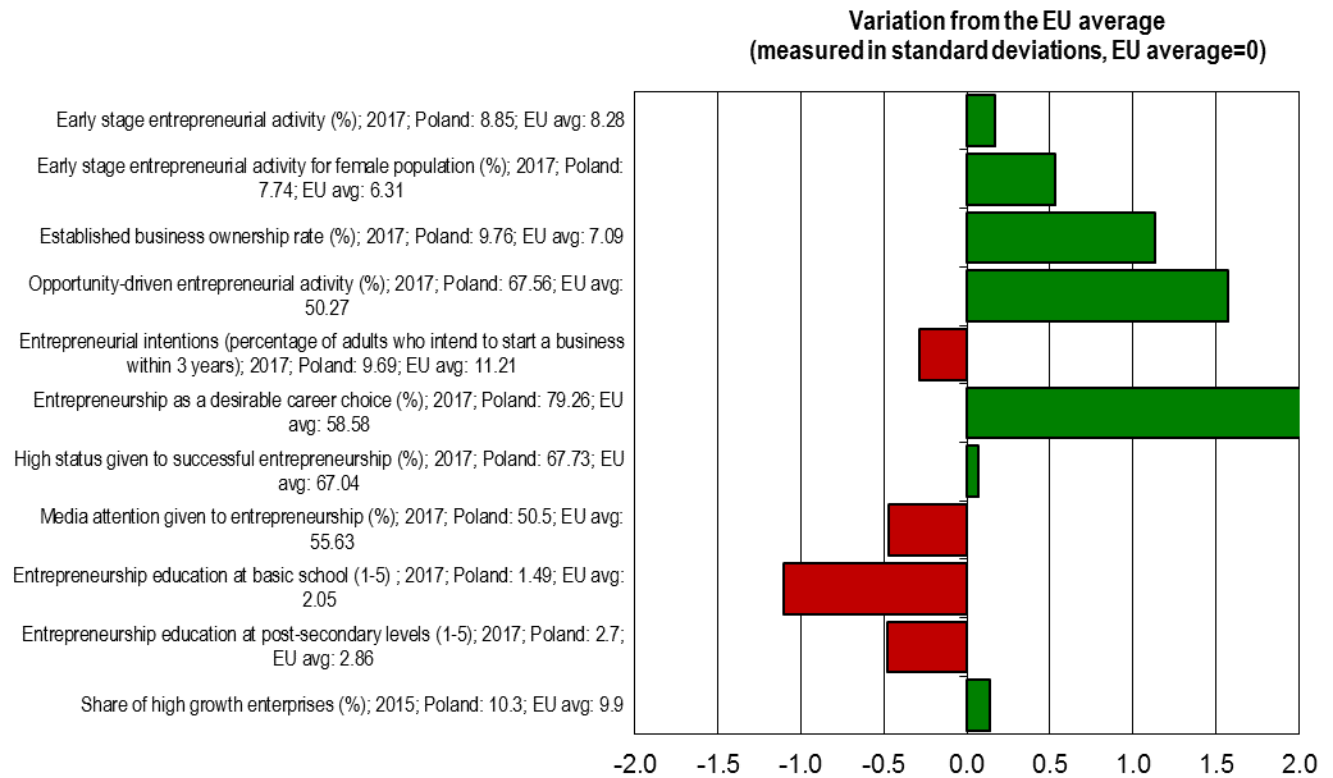
Despite the progressive implementation of the 'Think Small First' principle in Poland since 2008, Polish SMEs struggle with an excessive administrative burden, an inconsistent and incoherent interpretation of laws by public administrative bodies and relatively high social security dues for low-income entrepreneurs. Of the measures introduced last year, the lowering of the corporate income tax rate for small taxpayers to 15 % proved the most successful, with the possibility of further lowering it to 9 % now under discussion (although only a fraction of SMEs are under this form of taxation).

During the reference period, various policy changes were implemented under the two flagship initiatives '100 Changes for Enterprises' and 'Constitution for Business'. In addition to reaffirming the principles of freedom of enterprise, a consistent

and coherent interpretation of the law by public administration, and ease of administrative obstacles, the 'Constitution for Business' initiative introduced other measures. The independent office of the SME Ombudsman was established, and a new legislative process framework was set up to ensure the interests of SMEs are taken into account. SMEs are benefiting from a further reduction of the social security dues for new entrepreneurs and from a new form of unregistered entrepreneurial activity. The new legislation has generally been well received by SME representatives, although they indicate that there is less support for the development of existing SMEs than for new SMEs and micro-enterprises.

Although the interests of SMEs are taken into account when drafting new laws and regulations, with stakeholders being consulted during the legislative processes, some experts indicate that the 'SME test' could benefit from a more regulated, in-depth application. Also one of the European Semester country-specific recommendations stated the need to improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process¹⁷.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Poland surpasses the EU average in entrepreneurship. The score has improved significantly compared to last year when Poland's score was still in line with the EU average. However, the long term trend since 2008 shows that the overall performance has stagnated. Entrepreneurship education remains particularly poor and entrepreneurial intentions fell from 20.8 % to 9.7 % between 2016 and 2017. Early stage entrepreneurial activity declined as well. However, substantial progress has been made in opportunity-driven entrepreneurial activity, which increased from 52 % to 67.6 % between 2016 and 2017, one of the highest among EU Member States. Furthermore, more people in Poland perceive entrepreneurship as a desirable career choice, and high status given to successful entrepreneurs progressed significantly, increasing from 56.2 % in 2016 to 67.7 % in 2017.

The promotion of entrepreneurship was an important goal of Poland even before it joined the EU, with entrepreneurship education introduced in schools in 2003. Since 2008, the result of those efforts has remained limited, especially in higher education institutions, which now often contain start-up incubators but do not offer comprehensive entrepreneurship-orientated curricula. Vocational schools were for many years less popular and consequently underfunded, commonly catering to academically underperforming youth (rather than those desiring vocational skills) and insufficiently teaching vocational, digital and entrepreneurial skills.

The Polish Agency for Enterprise Development also aims to enable the scale-up and internationalisation of innovative SMEs. There is an ongoing 'Scale-Up' programme, which involves supporting the development of innovative SMEs in cooperation with large, established companies (including state-owned), in areas such as FinTech, medical technologies, and internet of things (IoT). Moreover, the Ministry of Entrepreneurship and Technology and the Financial Supervisory Commission are working on a new initiative for the FinTech companies.

During the reference period, three significant policy measures were announced or adopted/implemented in the entrepreneurship area. The most important measure was to improve the general legal and fiscal framework. As part of the 'Constitution for Business' initiative, this included reducing social security dues payable for new enterprises and introducing legal unregistered entrepreneurial activity (for very small-scale entrepreneurs). Enabling succession in sole proprietorship enterprises was under development.

The second measure implemented over the reference period was the active support provided by the Polish Agency for Enterprise Development. The Agency offers a comprehensive range of financing, consulting, mentoring and direct support services for SMEs that include advisory support for succession in family

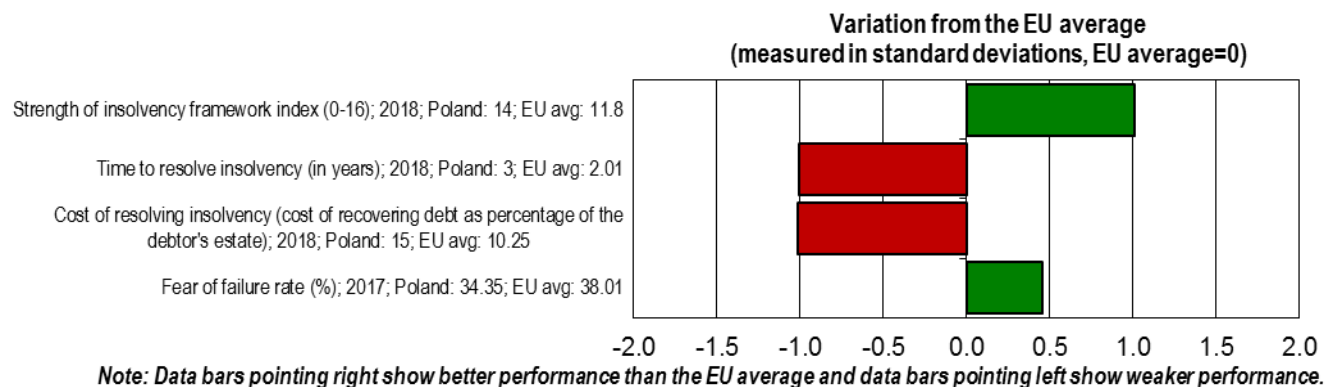
businesses and various forms of training for managers and owners of SMEs.

The last measure to support SMEs is one of the key elements of the recently introduced 'Investment support framework'. The previous network of special economic zones (used mainly by larger industrial companies) has been transformed into country-

wide support systems with a renewed focus on the needs of SMEs.

Despite these measures, SME representatives indicate that various costs and regulations applying to small and medium-sized enterprises actually discourage many micro entrepreneurs from scaling up their businesses.

3.2 'Second chance'



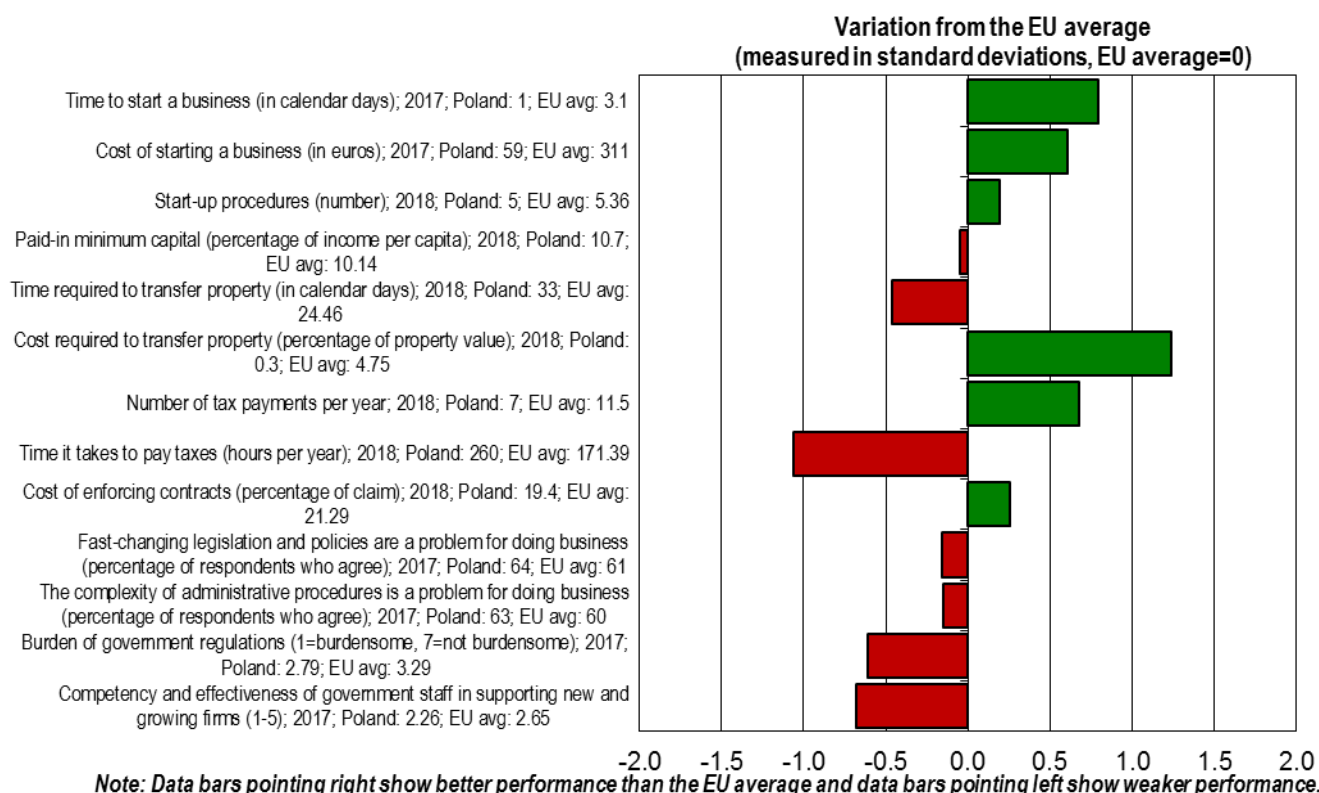
'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Poland's score is in line with the EU average, an improvement from last year's fact sheet when it scored below it and part of a steady rise since 2008. This strong progress can be explained by a significant drop in the fear-of-failure rate from 47.6 % to 34.3 % since 2016. While Poland keeps a relatively strong insolvency framework index, costly and lengthy insolvency procedures remain problematic, both scoring below the EU average.

Since 2008, Poland's performance with the 'second chance' principle remains mixed. A major measure in this area was the new Restructuring Law of May 2015, which introduced a new

restructuring mechanism to prevent unnecessary bankruptcies of enterprises. It included an early warning system for enterprises in crisis. However, SME representatives felt it had only a limited impact and that further development was needed.

During the reference period, an amendment to the Restructuring Law made it possible to introduce in 2018 the Polish programme for public aid to SMEs to help in the restructuring process (though parts of this are still being developed and require government regulation). As part of a more comprehensive support system for SMEs in crisis, the SME Development Centre introduced the 'Early Warning' programme, which provides consulting and mentoring services.

3.3 'Responsive administration'

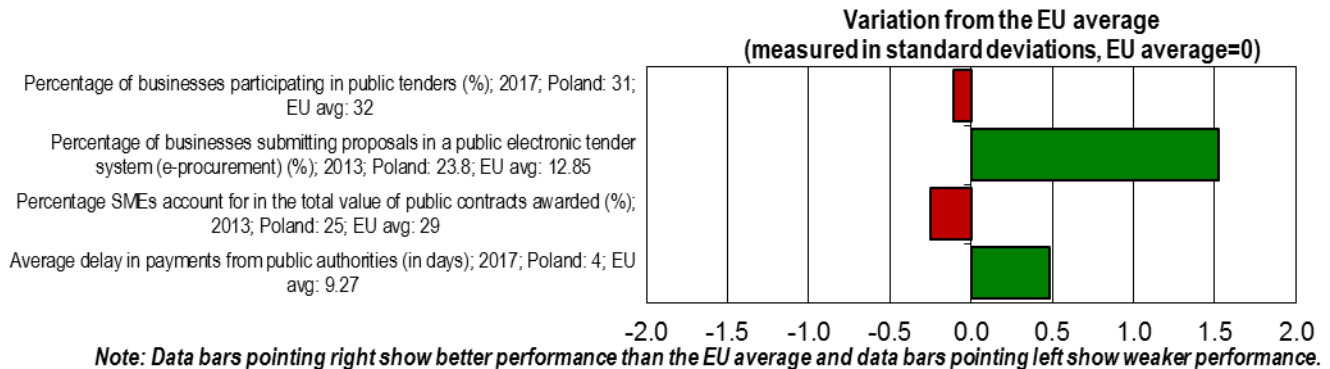


'Responsive administration' refers to public administration being responsive to the needs of SMEs. In this area, Poland continues to perform on a par with the EU average, having made substantial progress since 2008. In 2017, no major changes occurred in this SBA area, except for the deterioration of government staff competency in supporting new and growing firms, which is an indicator that fell below the EU average in 2017. However, for the remaining indicators, Poland is one of the EU countries where a business can be started the fastest in only one day and at the lowest cost at EUR 59. Significant challenges need to be addressed such as a complex administrative burden for SMEs. This is particularly the case, with the high cost of tax compliance.

The 'responsive administration' principle remains an important focus of the Polish government, and significant progress has been made in making the administration more responsive since 2008. Stakeholders for many years have highlighted issues such as cumbersome administrative procedures, a complicated licencing framework, and an inconsistent or incoherent interpretation of the law by public administrative bodies. This was considered a constant risk, especially for SMEs because of their limited liquidity and lesser access to legal services. One of the improvements in the last decade has been the gradual development of e-administration, including comprehensive access to information and services for enterprises on an integrated platform biznes.gov.pl.

In 2017 and the first quarter of 2018, significant measures were adopted in this area, mainly as part of the 'Constitution of Business' initiative. These include further development of e-administration, a new entrepreneurship law marking the beginning of a more stable and supportive approach by the public administration towards entrepreneurs, and changes in central business registration and information that ease the process of starting (or suspending) a business. Changes in those laws were explicitly focused on the needs of SMEs, particularly micro and small enterprises. Also, the Ombudsperson for SMEs was created as a new independent office to represent the interests of SMEs. The Amended Administrative Procedure Code is another law that mitigates unnecessary legal risks for enterprises. In addition, various other laws were slightly amended to ease the administrative burden on SMEs. The need to keep up with frequent changes in the law remains a significant challenge for entrepreneurs. This was also covered in recitals of the European Semester country-specific recommendation stating that the fast pace of regulatory change and the limited use of public and social consultations on a number of key laws are weighing on the quality of legislation and increasing uncertainty for business. 'Solid *ex ante* and *ex post* impact assessments and well designed and exercised social and public consultations could help improve the quality of legislation, limit the need for subsequent amendments and in this way increase the predictability of the regulatory environment. This could also help to limit possible negative side effects of new laws in the short term, such as for instance the temporary increase in administrative burdens resulting from a change in tax regulations.'¹⁸

3.4 State aid & public procurement



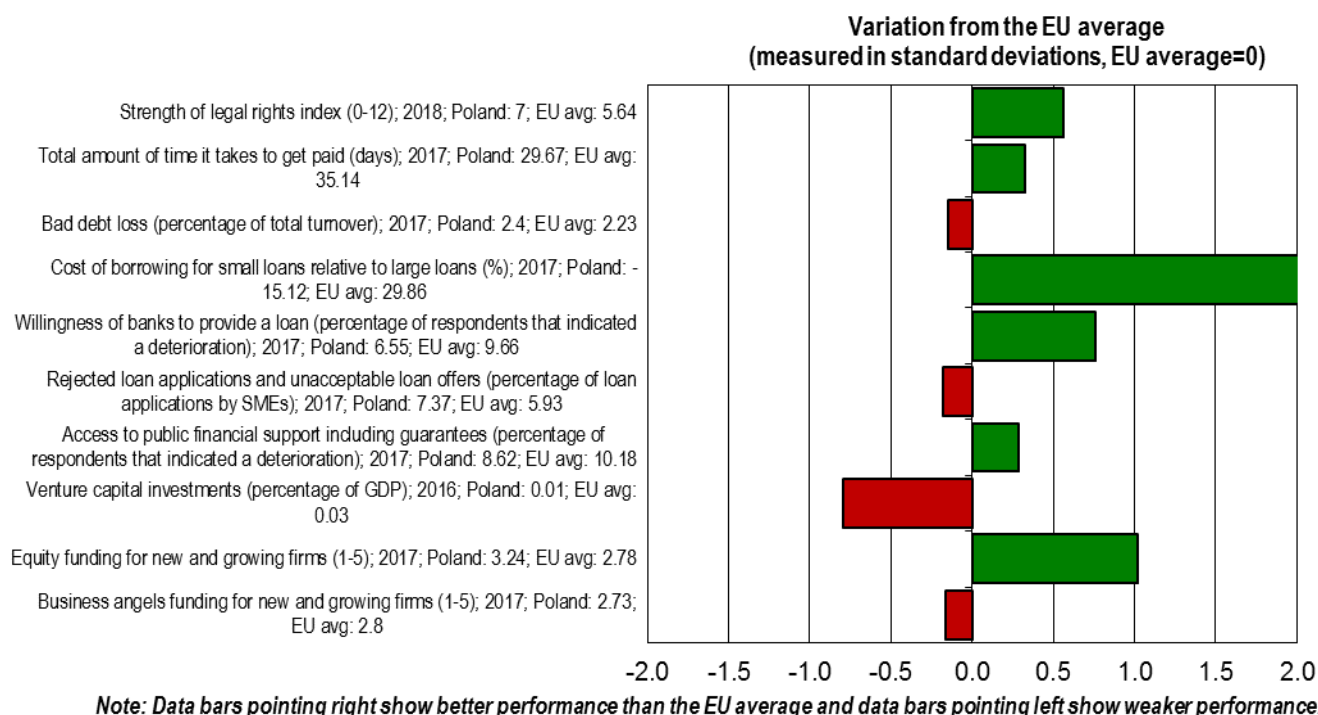
Poland continues to perform in line with the EU average for state aid & public procurement, with steady progress since 2008. The proportion of businesses participating in public tenders went down from 40 % in 2015 to 31 % in 2017. There was a slight improvement in the average delay in payment from the government that has been reduced from 6 to 4 days between 2016 and 2017.

Since 2008, the access of SMEs to public procurement has improved. This was particularly so in 2016 when new legislation was implemented to create better conditions for SME participation in public procurement procedures. It also enabled tenders to be divided into lots to make them more accessible for SMEs. In practice, however, these changes are not considered

fully successful due to ongoing problems with SME participation and consistently low numbers of bids for many procurement projects. Widespread digitalisation of procurement can nevertheless be considered a success.

While there were no significant new measures introduced in this area for the reference period, the Polish government still considers state aid & public procurement an important area for improvement. The new Public Procurement Law is currently being developed by the government to promote innovative solutions, improve the effectiveness of procurements, encourage fair competition and boost the participation of SMEs in public procurement.

3.5 Access to finance



Poland surpasses the EU average for access to finance. Since 2008, continuous progress has been made in this area. The improvement since last year's fact sheet can be explained by a general improvement in the banking environment and better access to financial support: hence, 6.6 % of the population said that banks were less willing to provide a loan in 2017 against 7.8 % in 2016. The proportion of rejected and unacceptable loans also fell from 12.7 % to 7.3 % and is now in line with the EU average. Equity and business angels funding for new and growing firms improved as well. The latter lagged behind the EU average last year and is now in line with it. For the cost of borrowing small loans, Poland ranks among the cheapest countries. The variation from the EU average is even a negative value, which means that small loans have lower interest rates than big loans.

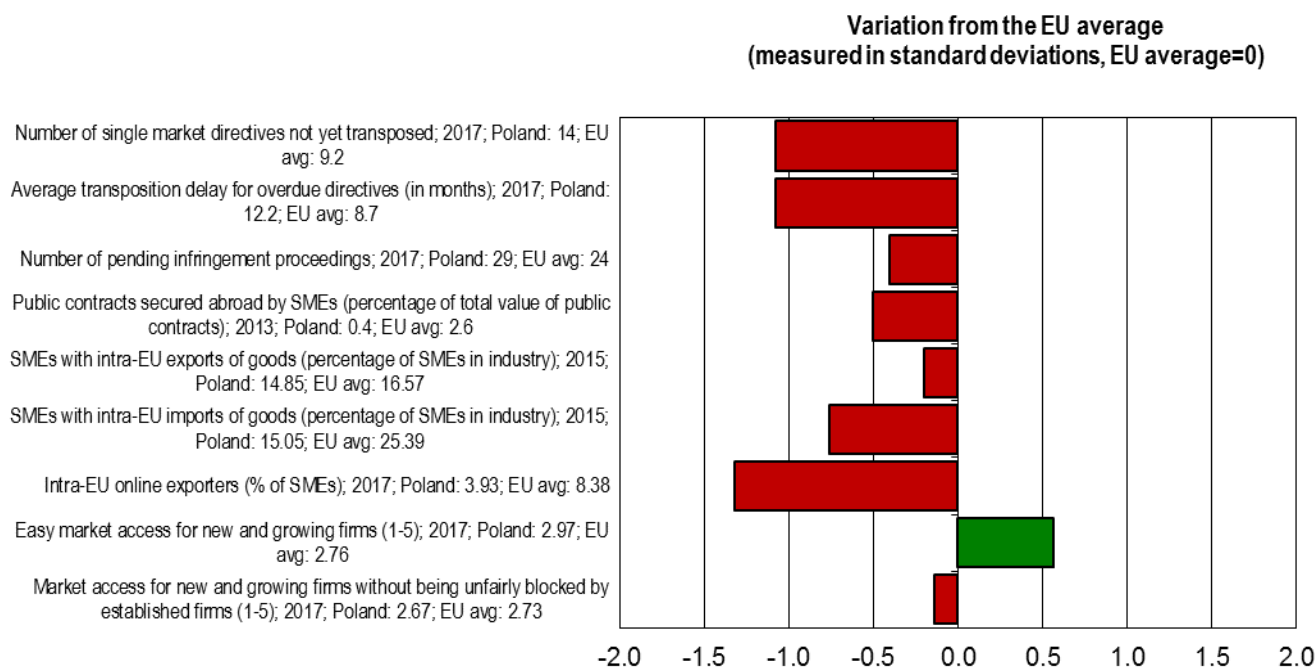
Since 2008, Poland has a mixed record for policy measures addressing access to finance for SMEs. Many SMEs have problems with cash flow due to late payments by larger companies and troublesome procedures to recover claims. The level of access of start-ups or innovative SMEs to venture capital or business angel funding still lags behind that of many other Member States. However, access to European funding under various programmes at both the regional and national level

continues to be an important factor in the development of a new generation of innovative SMEs with international ambitions. SME representatives indicate that SME access to credit has improved over the years, although entrepreneurs themselves are not always aware of that.

During the reference period, a new law was implemented to facilitate the recovery of claims. The legislation brought in broader access to the simplified recovery procedure and removed obstacles that were making the recovery process less effective. Other measures introduced enable SMEs to better assess the creditworthiness of other businesses.

The Polish Agency for Enterprise Development and The National Centre for Research and Development continue to provide financial support for the development of SMEs in the form of grants and other funding for services, innovation and investment. They also facilitate networking between entrepreneurs and business angels or venture capitalists, supporting companies in the process of obtaining capital and in some cases entering stock markets. The level of funding for innovation support is adequate, and the programmes are gradually becoming more accessible. However, the costs involved in preparing proposals (often including consulting and legal services) remain a barrier.

3.6 Single market



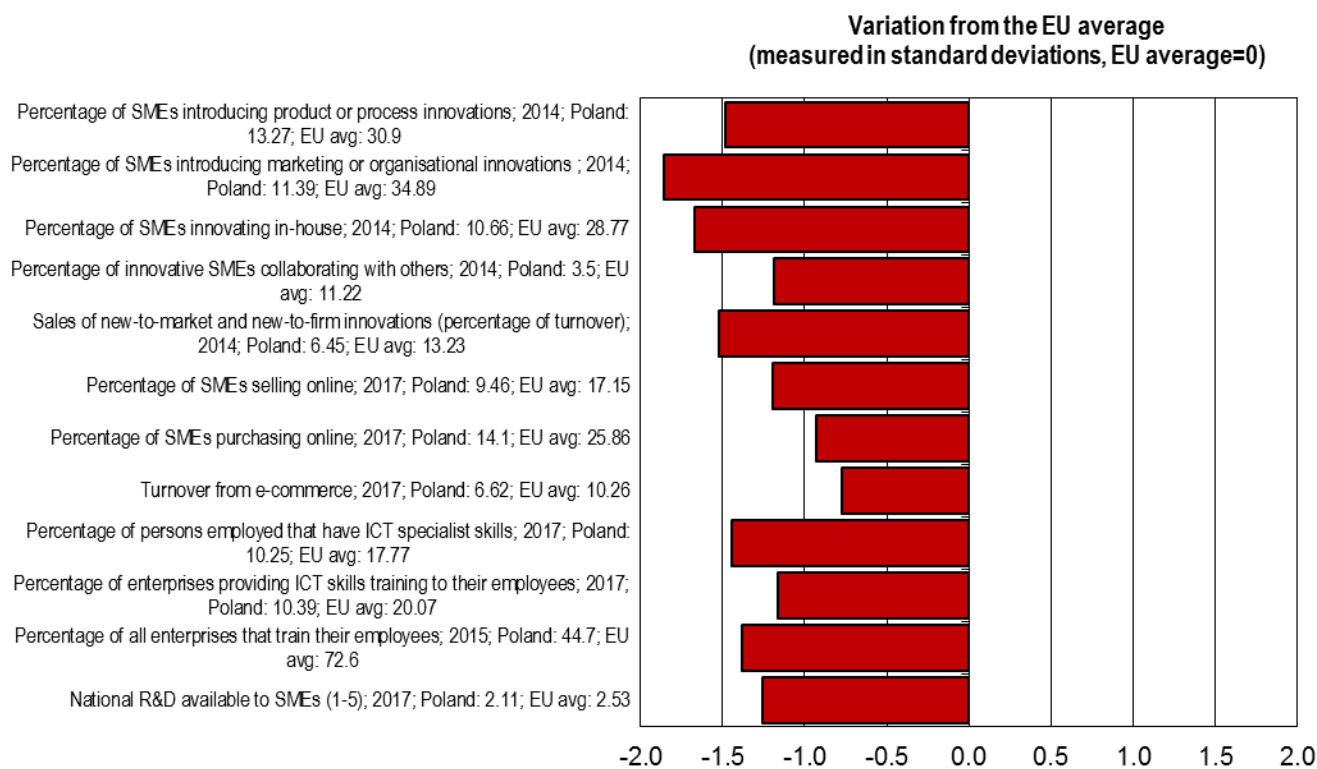
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Poland continues to perform below the EU average in the single market area, even though overall, significant progress has been made since 2008. The country still lags behind the EU average in most indicators. The country performs below the EU average in the number of single market directives not yet transposed despite a slight improvement since last year's fact sheet. The delay in transposing overdue directives almost doubled between 2016 and 2017, increasing from 6.1 % to 12.2 %. In addition, one of the major concerns for Poland is the small proportion of SMEs engaged in online exporting within the EU, one of the smallest of all EU Member States. With a decrease in the number of pending infringements from 33 to 29 cases since 2016, Poland is getting closer to the EU average of 24 cases but still below it. The only indicator above the EU average is the market access provided to new and growing firms.

Since 2008, facilitating exports within the EU has been considered an important challenge for policymakers since Poland joined the EU. These include both direct (consulting services and support for internationalisation, financial support for taking part in trade exhibitions abroad) and indirect support (assisting innovation development) provided by different actors mainly with EU funding. Since 2016, the most important policies in this area have been those introduced in previous years that are currently still under development, such as support programmes for SMEs by the Polish Agency for Enterprise Development or new Foreign Trade Offices established by the Polish Trade Agency (PAIH).

During the reference period, the 'SESAM project' was introduced to improve SME access to public procurement in other countries.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Poland continues to perform far below the EU average for skills & innovation. The country is ranked as one of the weakest performers among EU Member States, despite some progress since 2008. Only minor changes occurred between 2016 and 2017, except for the proportion of companies training their employees which more than doubled from 22 % to 44.7 % from 2010 to 2015, the share of SMEs purchasing online which dropped from 18.3 % to 14.1 % and the availability of national R&D to SMEs which was less than in 2016. However, Poland continues to have one of the weakest ICT skilled workforces in the EU, unchanged since 2016. Another challenge is the need to embrace digital technologies, with the proportion of SMEs selling online and purchasing online slightly declining over the reference period.

The situation with skills & innovation in Poland has somewhat improved since 2008, though insufficient levels of innovation still significantly hamper the development of Polish SMEs, especially on foreign markets. Relatively successful primary and secondary education systems (as indicated by PISA - the Programme for International Student Assessment) and wide access for younger generations to tertiary education provide a theoretically sound foundation for innovation development. However, funding for science, research and development remains well below the EU average, and institutions of higher

education have limited entrepreneurial focus or contact with business. Another factor limiting innovation among Polish companies is the country's economic model, which is based on a low-wage, low-skilled workforce. Unfortunately, considerable investment in and development of industrial assembly lines and logistics centres in Poland has not been accompanied by comparable investment in R&D hubs and the like.

These problems are recognised as key challenges in the main strategy outlined by the current government, 'Strategy for responsible development for the period up to 2020' (including the perspective up to 2030).

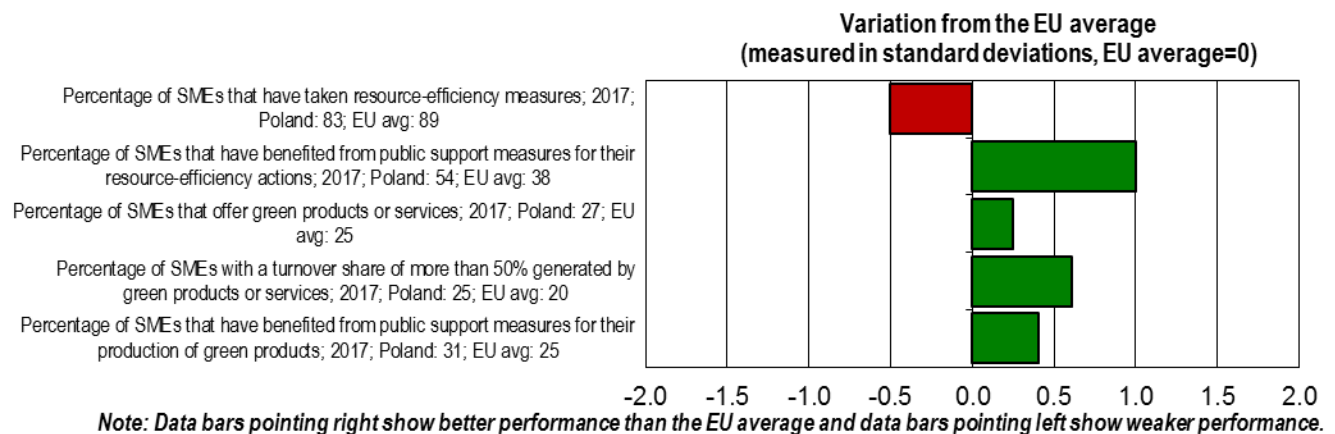
In 2017 and the first quarter of 2018, a number of tax policy measures were introduced to facilitate R&D spending by companies, including vastly expanded tax relief for R&D costs and new tax relief for automation (especially in SMEs). Those measures also aim at encouraging companies to keep track of their R&D spending and facilitate the collection by public entities of relevant data on innovation in Polish enterprises.

Innovation support is considered a key goal of SME support programmes in general. The 'SME Development Centre' is the new approach of the Polish Agency for Enterprise Development to offer comprehensive support for innovative SMEs. These measures include the Agency's 'Research to the market'

programme, a comprehensive support package for turning inventions and ideas into new or improved products in SMEs. The SME Development Centre provides training for SME owners and managers and develops programmes to help SMEs implement innovation and protect industrial property. Many reforms still

under development share this goal of improving innovation in SMEs. Such reforms include the new Public Procurement Law, an improved investment support framework, and the proposed reforms of higher education and public research centres.

3.8 Environment



Poland surpassed the EU average for the environment, having been below it in previous years. While the proportion of SMEs offering green products in Poland declined, 31 % of them benefited from public support compared to 41 % in 2015. The proportion of SMEs that took resource efficiency measures increased slightly from 82 % in 2015 to 83 % in 2017. However, this is still below the EU average of 89 %. In 2017, 54 % of SMEs in Poland benefited from public support against 50 % in 2015.

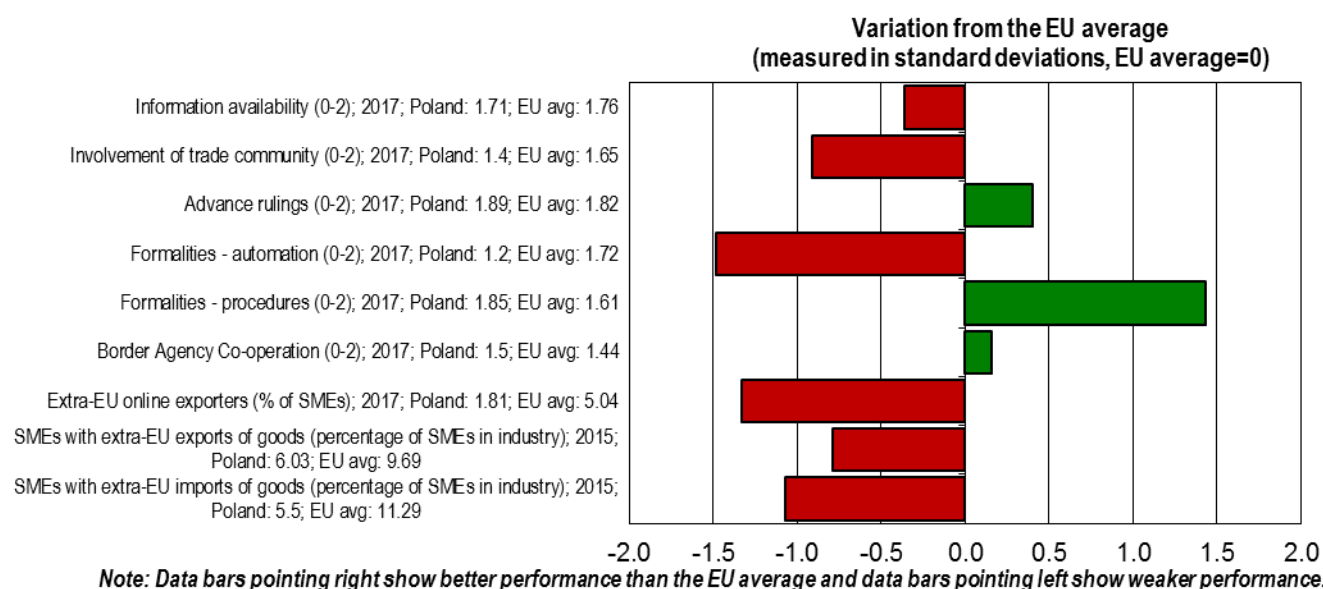
Since 2008, Polish SMEs have been the beneficiaries of substantial funds for better energy efficiency, thermo-modernisation or the use of renewable energy. Stakeholders indicate that environmental awareness, although still insufficient, has improved, especially with the development of attractive green products or services. However, SME representatives point out that a changing and unclear legal

framework for renewable energy support has contributed to a renewed focus on coal-fired power, which will lead to a slower transition to renewable energy.

One of the important development goals of the current Polish administration is the broad introduction of electro-mobility, which is seen as one of several ways to curb air pollution, a major concern in Poland.

In 2017 and the first quarter of 2018, the Polish Agency for Enterprise Development introduced the new 'Elektro Scale Up' support programme, offering funding and consulting for innovative startups specialising in electricity-powered transport. The National Fund for Environmental Protection and Water Management provides SMEs (among other private and public entities) with ongoing access to funding for resource-efficiency measures.

3.9 Internationalisation



Poland performed below the EU average for internationalisation, a change from last year's fact sheet when it was still in line with the EU average. Overall, most of the indicators deteriorated. The trade community, in particular SME stakeholders, was less involved in consultations with the government on trade issues in 2017 than in 2015. Advance rulings and automated formalities deteriorated as well. Most of all, the proportion of SMEs exporting or importing from outside the EU and the SMEs exporting online to non-EU countries remain critical areas to be addressed. However, Poland cooperates with border agencies and provides very efficient trade and customs procedures which might still be improved by more automated digital services.

Since 2008, a number of policy measures and programmes have been introduced to facilitate the international development of Polish SMEs. SME representatives indicate an expansion of knowledge and experience in both entrepreneurs and experts from supporting institutions at the regional and national level. Representatives from both SMEs and institutions indicate that

support schemes have gradually become more accessible, with fewer administrative obstacles and better availability of information, although the coordination of programmes carried out by different entities remains a challenge.

In 2017 and the first quarter of 2018, many previously introduced measures continued to be implemented or expanded, such as programmes by the Polish Agency for Enterprise Development (including 'Go to Brand') or the Foreign Trade Offices of the Polish Trade Agency. Financial support for SMEs is often accompanied by consulting services or investment support to achieve better outcomes for companies and the national economy. There is an ongoing shift to include non-European countries, especially in Asia, as possible export destinations. Also, the Polish Agency for Enterprise Development introduced a more specific measure in the form of 'Project SESAM', which has provided SMEs with the knowledge and support necessary for successful participation in public procurement in the European Union.

4. Interesting initiative

Below is an example of an initiative from Poland to show what governments can do to support SMEs:

Support for succession in family businesses

The project 'Support for succession in family businesses' by the Polish Agency for Enterprise Development is addressing a particularly important challenge for the Polish SME ecosystem. 30 % of Polish family businesses operate for more than 20 years, and many of them are still run by their founders. Research indicates that 40 % of founders and successors calculate that an upcoming leadership transition to the younger generation would require up to one year, signalling a significant lack of awareness of how challenging the process is. In 70 % of Polish family businesses, transition is rarely discussed or a matter of concern. Given the contribution of Polish family businesses to the national economy and their typical composition, a low survival rate would do considerable harm to Poland's economic performance.

The aim of the project by the Polish Agency for Enterprise Development is to support generational change in Polish family businesses in order to ensure a smooth transition process and develop a strategy for further development in ever-changing business environments. Selected experts and entities will provide SMEs with comprehensive support in business strategy, coaching, law, finance and organisational structure, in order to ensure an effective transition of leadership roles to the next generation of entrepreneurs. This tailor-made support will be delivered to 1 000 companies. The government is also addressing the issue of succession in Polish family businesses with the new bill on 'Enabling succession in sole proprietorship enterprises' that is being drafted in 2018 and that is expected to improve the legal framework for the continuation of this most popular form of company in the event of a founder's death.

References:

'Support for Succession in Family Businesses' — <https://power.parp.gov.pl/sukcesja-w-firmach-rodzinnych-lp/power-sukcesja-w-firmach-rodzinnych>

'Enabling Succession in Sole Proprietorship Enterprise' bill — <http://www.sejm.gov.pl/sejm8.nsf/PrzebiegProc.xsp?nr=2293>

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information for the 28 EU Member States. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² Value added figures are stated in EUR. However, due to fluctuations of the EUR-PLN exchange rate in recent years, calculated value added growth rates are distorted. Therefore, changes in value added should be viewed with caution, and interpretation should be limited to the comparative performance of sectors or size-classes.

https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-pln.en.html, last accessed 24.05.2018.

Between 01.01.2013 to 31.12.2018 exchange rate minimum (21.04.2015): EUR 1 = PLN 3.9683 and maximum (5.12.2016): EUR 1 = PLN 4.5005, which translates into a disparity of 13.4 %.

³ Ministry of Economy, Poland 2013. Report economy.

https://www.mpit.gov.pl/media/15368/Poland_2013_Report_economy_eng.pdf, last accessed 24.05.2018.

⁴ Polish Agency for Enterprise Development, Report on the Conditions of SMEs in Poland. Years: 2010-2011, 2011-2012, 2012-2013. Available from <https://en.parp.gov.pl/publications/ebook/112>, last accessed 24.05.2018.

⁵ As noted in Footnote 1, nominal growth rates of value added should be viewed with caution. It is important to note that micro firms have grown at a much faster rate in recent years than firms in other size-classes.

⁶ Polish Agency for Enterprise Development, Report on Small and Medium-Sized Enterprises in Poland, PARP 2017. <http://www.parp.gov.pl/publicationslibrary/ebook/722> and Report on Small and Medium-Sized Enterprises in Poland, PARP 2017, <http://www.parp.gov.pl/publikacje/ebook/454>, both last accessed 24.05.2018.

⁷ Statistics Poland, Innovative activity of enterprises in the years 2014-2016.

⁸ Ibid.

⁹ Statistics Poland, *Structural changes of groups of the national economy entities in the REGON register*, for years 2008-2017. For the years 2017 and 2016, available from <https://stat.gov.pl/en/topics/economic-activities-finances/structural-changes-of-groups-of-entities-of-the-national-economy/structural-changes-of-groups-of-the-national-economy-entities-in-the-regon-register-2017.2.1.html>, last accessed 24.05.2018.

¹⁰ Ibid.

¹¹ The data presented was collected by the EU Startup Monitor project, www.startupmonitor.eu

¹² Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹³ In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 13.04.2018).

¹⁴ The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

¹⁵ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

¹⁶ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

¹⁷ Recommendation for a Council Recommendation on the 2018 National Reform Programme of Poland and delivering a Council opinion on the 2018 Convergence Programme of Poland; p. 5: <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-specific-recommendation-commission-recommendation-poland-en.pdf>

¹⁸ Ibid, p. 4