

NON-RETURNABLE AND RETURNABLE INSTRUMENTS OF EUROPEAN UNION'S PUBLIC AID FOR ENTREPRENEURS

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Abstract

The role of the state within the economy, its range and form of activities have long been in the center of disputes on economic theory among many outstanding economists. Different functions and tasks were assigned to the state depending on the economic school of thought and the applied policy. This article deals with the questions of public aid within the economic theory as well as with the non-returnable and returnable instruments of the public aid, it also presents the tendencies in their applications in the financial perspective of 2007-2013 and 2014-2020.

Keywords: *aid, instruments, EU, funds.*

1. Introduction

Poland's accession to the EU arose interest in the public aid, most commonly associated with the EU's funds (Famielec, 2007, No 732). The state can influence the economy through various groups of instruments. There are regulations and controls, tax instruments, public expenses and transfer payments. Public aid is a public expense and can be delivered by means of returnable and non-returnable instruments.

The aim of this paper is to present the public aid within the economic theory and in the context of the main economic approaches, to describe the basic instruments of public aid for enterprises and to indicate the tendencies which will be present within the so called new financial perspective of the European Union. The added value of this work is the analysis of the assumptions of application of the returnable and non-returnable instruments of public aid in the years 2007-2013 and 2014–2020.

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In order to accomplish the first goal of the work, the following hypothesis will be conducted: the returnable instruments, as compared to the non-returnable, are a better tool to level-off the capital gap in the economy due to its renewable character and the ability to enforce economic effectiveness of the entrepreneurial actions.

The discussion on the returnable and non-returnable instruments is based on literature research, analysis of the program data, reports and interview with a representative of the Managing Institution responsible for implementation of the returnable instruments for 2007-2013.

2. Public aid in the economic theory

The state, as a historic institution, has played its economic functions from the moment of its formation. The oldest function is the gathering, collection of means for the coverage of social needs and building the military potential from part of the economic resources of the country (Breński, 2008, p. 22). The role of the state within the economy, its range and form of activities have always been in the center of disputes on economic theory among many outstanding economists. Different functions and tasks were assigned to the state depending on the economic school of thought and the applied policy.

Already in the ancient times and during the medieval ages there were discussions about state's engagement in the areas of the economic life. For example, the representative of the ancient Roman thought, Xenophon, supported the state's integration within all aspects of the economy, whereas Heraclitus is considered a precursor of the self-regulated market and competition. The medieval scholastics – supporters of private property – called for limitation of the state's roles and state's expenditures as well as for decreasing the public tributes. However, it was the development of the economy based on private property in the modern times that sparked the biggest discussions and arguments among the economists, supporters and opponents of the state's interventionism (Gwiazdowski, 2007, p. 90-91). The modern economy took on the criterion of economic theories the following division of the socio-economic programs: the interventionist (non-liberal) and liberal. The interventionist ones are related to the active financial policy of the state, whereas the liberal ones are based on the neutrality of the public finance.

The beginnings of the interventionist concepts lies in the mercantile economy. Its supporters claimed that the development of one's own production by means of protecting the producers and with indiscriminately centralized power and strong economic policy of the state is the basic way towards increasing state's wealth. A. Fredro and W. Gostkowski are counted amongst the Polish mercantilists. The cameralists, and in particular J. Justi and J. Nax,

considered the use of taxes as one of the instruments of state's interventionist policy to be of great significance. They pointed to the impact of state's fiscal policies on the social welfare (Ziółkowska, 2012, p.34). German economists attempted to develop the state's protectionist policies during 18th and 19th centuries. L. von Stain claimed that state's actions lead to surpluses which in turn generate additional accumulation of capital when they are returned into the economy. A. Wagner, who is the alleged author of the law of the increasing public spending "the law of A. Wagner", postulated the necessity of state's intervention in the mechanisms of the market. He stated that social growth has to be accompanied by increased public spending. The basic assumption of his concept was that the market mechanism is defective, because it creates conditions for the remuneration of the factors of production – land, work and capital, but it cannot satisfy the society's growing demands (Kozuch, 2013, s.24).

The theoretical base of the concept of interventionism was formed by the renowned English economist J. Keynes in the beginning of the 20th century. It is worthwhile to mention that the Polish economist M. Kalecki formed the basic elements of the Keynes' theory three years earlier. Kalecki developed a macroeconomic model of more accuracy than Keynes' that explained the causes of the mass unemployment in the 1930's. However, his work was translated into English later, when Keynes' model was already known in the West (Ziółkowska, 2012, p. 36). According to Keynes' views, the capitalist economy cannot function without interferences that manifest themselves as lack of balance and incomplete use of the production capacities and unemployment. The most important source of these interferences is the insufficient propensity of the private entities to invest which creates the necessity for state's interventionism. Under these conditions the state's income instruments (tax relieves, loans) and expenditure instruments (subventions) became the main tools of the state interventionism. The goals of the instruments were (Owsiak, 2005, p. 55):

- stimulating effective demand in the economy that conditions investment development and, through that, the increase in production and decrease in unemployment,
- mitigation of the fluctuations of the economic cycle by means of automatic stabilizers in the form of taxes, and in particular the tax scale - depending on the cycle – and the unemployment benefits.

Based on the assumptions for the use of public expenditure in order to limit the fluctuations of the cycle and its negative effects, the theory of anti-cyclic financing was formed. According to this theory, the state incurs public expenditure for programmes such as the socio-economic infrastructure, in

order to limit the demand in the economy, which is expected to lead towards new job creation, increase in production, income and economic recovery.

A. Smith was the precursor of the theoretic and ideological basis of the economic liberalism, and opposed the state's interventionism. At the end of the 18th century he tried to convince the public that state's interventions in the economy should be limited and that the self-regulatory market mechanism, the so called "market's invisible hand" is efficient. During the 19th century, the prevailing theories were that the state should get involved in the economic issues as little as possible and the economic decision making should be done through the mutual interaction between demand and supply in the market (Friedman, 2006, p. 28). A. Smith was a doctor so he treated the economy as if it was a living organism. He claimed that the state should finance only the external defense, justice system, protection of property and organization of public works. He supported the neutral character of the state. This model became quite popular in the 19th century until the great crisis in 1929-1935. Later on these ideas were developed by J. Say, among others, who also pointed to the necessity of limiting the state's activities due to the expense generating nature of interventionism which in turn causes tax burdens (Kwaśnicki, 2001, p.45). According to Smith, the budget can be created only up to the level which allows for financing the necessary public tasks of the state. And therefore, it should be balanced in a sustainable manner. He was of the opinion that deficit is a damaging factor for the economy and it is not ethical (Ziółkowska, 2012, p.38).

The evolution of the economic theory shows that the notion of public aid was already known in the ancient times. The state intervened in the economic issues by means of various instruments. The state's aid is a specific instrument of its policies directed towards the socio-economic development of the country. The notion of public aid itself has various definitions. In most cases, however, the public aid is defined as a selectively applied financial advantage for the enterprise with a corresponding financial burden created on the part of the public finance (Choroszczak, 2009, p. 11).

State's interventionism in the economy is against the idea of European integration since it weakens the competition, causes interferences in its mechanisms acting on the local and international markets. The definition of public aid which applies to Poland is the one formulated in the Treaty on the Functioning of the European Union (TFEU) and applicable since Poland's accession to the EU. Aid comes into effect when the most important premises are met cumulatively: the public aid was granted from the public financial resources, it threatens the competition, gives privileges to some enterprises or production of some goods, has negative impact on trade, supports the local enterprises and discriminates the foreign ones (Jankowska, 2005, p. 6).

The public aid can be granted to the country's regions, economic sectors and categories of entrepreneurs. Depending on its destination, aid can be of regional, sector-wise or horizontal character (*Raport...*, 2013). The regional aid targets exclusively those entities active in the poorest regions of the EU. The sector-wise aid is directed to specific sectors which call for support from the public sources in order to solve their problems. The horizontal aid reaches out towards all enterprises, independent from their location or sector of activity, on the condition that they will contribute towards the achievement of specific goals once the aid is granted (Podsiadło, 2011).

3. Identification of returnable and non-returnable instruments of the public aid for enterprises

The state can effect the economic processes by means of various groups of instruments. There are regulations and controls, taxation instruments, public expenditures and transfer payments. The core of the regulation and control is the use of the authoritative powers of the state to impose some changes in the functioning of the market in order to fix it and to obtain the expected social goals. The state should ensure most of all the adequate management for the economic process (Eucken, 2005, p. 296). These regulations encompass both the economic as well as social regulations. The first ones are related to the control of prices, production and market structure, the second ones consist of laws aimed at control of the effects of economic activity on the society's health. Their main goal is to protect the values that are not easy to be priced on the market. The regulatory instruments may cause limited tendency towards increasing public spending, they might be their substitute, when the costs of adjustments to certain standards are covered by the entities to which the regulations apply. These instruments are meant to prevent the monopolistic tendencies, to mitigate and to remove the negative external economic actions (Kozuch, 2013, p.31). The key means through which the state can effect the economy are the instruments of fiscal policy which encompass: taxes, customs, fees, grants, subventions, treasury bills, warranties and governmental guarantees. These instruments allow the state to influence the economy and the income situation of the economic entities in a stabilizing fashion. These actions depend on the previously adopted socio-economic doctrine and are parts of the implemented fiscal policy. The fiscal policy can accelerate economic growth when the market fails, however, public spending is targeted towards the increase of capital efficiency. This phenomenon takes place when the private sector cannot deliver suitable means and the public expenditure improves the effects of the competition or the consequences of the external effects (Siwińska, 2007, p. 119). Another group of instruments

which influence the economic processes are the instruments of the monetary policy. They are applied to the basic phenomena in the monetary area and to regulate the quantity of money in time. These are, among others: interest rates, required reserve ratio for commercial banks and level of guarantees for bank deposits.

The case of interest in this work is the group of instruments which belong to the public expenditure and which, depending on their form, can become the public aid. Expenses are the main instrument for implementation of the allocation function of public finance. The amount and structure of the expenses are historically conditioned and depend on: the range of state's financing of the public tasks, social services, the scale of state's interventionism into the economic processes, fiscal efficiency measured according to income redistribution. It is worth mentioning that not all of the resources allocated by the public authorities are considered as expenses (Ziółkowska, 2012, p. 154). From the perspective of their legal forms, public expenses are categorized as: grants and subventions, benefits to individuals, current expenditure, expenditure on public debt and capital expenditure (Kosikowski, 2008, p. 69). From the economic point of view, the key distinction is between the redistribution expenses (transfers) and purchasing expenses (final, actual, real). The latter ones are made in relation to purchasing by the state the goods and services of material character. They represent the share of the public sector in the national income, in this case the state is the final recipient. The transfer expenses can take the form of external transfers that empower private entities which stay beyond the public sector with money from the public resources and internal transfers made within the sector of public finance that represent expenses of one type of financial administrators of public funding for the benefit of other administrators (Kozuch, 2013, p. 69).

Public expenditure is one of the most crucial instrument used by the state to influence the economic processes and quite often are the public aid. The aid of the state encompasses any means from the public resources, made available in any form, and offering advantages that the beneficiaries would not be able to obtain in the regular course of their activities. Depending on the character of the transfers, public aid can be divided into direct and indirect aid. The direct aid means that the public financial resources are transferred directly from the state's budget or local government or other entities to the aid's beneficiary. The following instruments belong to this group: grants, preferential credits, guaranties, warranties and capital investments from the public resources. One can speak of indirect public aid when the state or other public institution waives their own resources for the beneficiary of the aid. This group includes: tax relieves and exemptions, application of accelerated depreciation, postponement of tax payment date (Kozuch, 2011, s. 69). According to the

guidelines of the European Commission, the types of public aids are as follow: grants and tax relieves, capital-investment subsidies, soft crediting, warranties and credit guaranties. Table 1 presents the basic categories of the returnable and non-returnable instruments.

Table 1. Division of types of returnable and non-returnable instruments

Returnable instruments	Non-returnable instruments
Seed and Venture capital	Grants
Loans	Interest subsidies
Guarantee for repayment of a credit or other financial obligation	Subsidies
Preferential credits	Redeemable credits
Guarantees	Tax relieves

The first type of public aid is based on a grant mechanism – non-returnable aid, characterized by its direct financial resources transfer from the state’s budget, local government unit or other entities to the beneficiary. The other form belongs to the returnable mechanisms, also called the instruments of financial engineering. There are two groups among the returnable instruments: the debt instruments (loans, guarantees, warrantees) and capital instruments – increased risk capital (seed and venture capital).

Grants are the resources from the state’s budget, local government units, state special-purpose funds, that require special rules of grant settlement and which are directed to finance or co-finance the implementation of public tasks (Postula, 2012, p.111). The grants can take the following forms: special purpose grant from the state budget, investment grant, object-oriented (selective, special), subject-oriented (general, global). The special-purpose grants finance a wide range of activities and come from both the central as well as from local government budgets. These grants may be applied to finance or co-finance tasks from the area of governmental administration, other tasks delegated to local government units, tasks delegated to non-governmental organization and to entities acting for the public benefit, programmes implemented by financial means from foreign sources and co-financing of bank credits. Investment grant is formally considered as a special-purpose grant, however, it is regulated by the legislation as a grant for investment purposes. This grant can be applied from the state budget to local government units as well as to entrepreneurs to invest in infrastructure and environment protection. The object-oriented grant is a very specific type, and its characteristic feature is the co-financing of specific products or services, calculated according to the tax rates. The object-oriented grants allow the state, in specific circumstances, to reduce the market price of specific products or services, under the condition that it is justified by

social, educational, cultural and economic policy. The subject-oriented grant goes from the state's budget to co-finance the on-going activities of the entities (subjects) specified by the legislation. The main beneficiaries of such grants are: educational units, cultural institutions, insurance funds (Wernik, 2011, p. 40). The above enumerated types of budget grants are not unified, they vary according to the application procedures and the areas in which they can be applied. The subject and object-oriented grants are transfer expenses and, as an instrument, they are characterized by a single or periodically re-occurring non-returnable money flow, directed by public institutions towards a specific economic entity, local government or a public sector unit.

The public authorities, by applying the non-returnable instruments, add financially to public goods and products that arouse positive external effects. The goal of application of the returnable instruments is to counter-react to the market imperfections, but still, these instruments can also cause them. By direct granting to the entity, the public authorities increase its market competitiveness at the expense of other entities. Due to this fact, there is a possibility of favoring selected groups of entities and branches by the public authorities. The non-returnable aid increases thus the probability of financing non-efficient undertakings and, at the same time, pushing out investments financed with private means. Such aid may lead to an effect of a loss – financing activities that would be carried out anyway. On the other hand, such aid motivates the entities to implement innovations and to take risks. The biggest disadvantage of the non-returnable instruments is the accompanying bureaucracy. The grants are distributed through calls for proposals and sometimes there is a long time before the results are known. For this reason these instruments are less attractive source for the newly established entities. The non-returnable aid is more effective when used for the benefit of entities that produces public goods (*Analiza...*, 2012).

The returnable instruments, also called the instruments of financial engineering, are regulated by the decree that sets out the legal rules for the European Fund for Regional Development, European Social Fund and Cohesion Fund (COMMISSION REGULATION (EC) No 1828/2006). The returnability means that the final beneficiary returns the financial means after certain time so that they could be reinvested in other projects. The returnable instruments encompass among others: loans, guarantees, warranties and instruments of the increased-risk-capital. Despite their common trait of returnability, these instruments can take various forms: loan funds, investment funds or guarantee funds.

The preferential loan instruments finance activities with foreign means, but need to be returned together with the fee for using these resources (interest). Loans as the instrument of financial engineering are directed towards entities

with little ability of credit. These instruments are divided into preferential and market loans, based on the conditions of their application. Financing according to the market rules is meant to support the entities with low ability of credit and not to be a competitive offer in comparison to offers of the financial institutions available on the market. The interest rates are usually lower than in commercial banks due to the fact that the instruments are not profit-making and a zero-cost of obtaining the loan capital.

Guarantees and warranties are specific returnable instruments because they do not finance directly the economic entities but give guarantees and warranties that increase the possibilities of getting financing from external sources. They secure the loans or credits. They oblige the guarantor to pay back the obligations in case these are not returned by the debtor. Their advantage lies in taking over the risk related with the guarantee or warranties (*Analiza...*, 2012).

The capital instruments that belong to the group of instruments of financial engineering are direct investments in innovative activities that entail risk, in return for shares in the company. The instrument is characterized by long time of return on investment. The capital funds encompass the seed capital, which means investing funds at the early stage of entity's development, and venture capital, meaning investments in young entities in their growth phase.

The above described returnable instruments that belong to the group of debt instruments, add obligations on the side of liabilities of the entity (mostly long-term). The capital instruments cause the increase in the ownership capital. These instruments have a common trait of limiting in time the ownership of the financial resources, and thus the necessity of return.

The structure of distribution of financial resources within returnable and non-returnable instruments of support is presented in Figure 1.

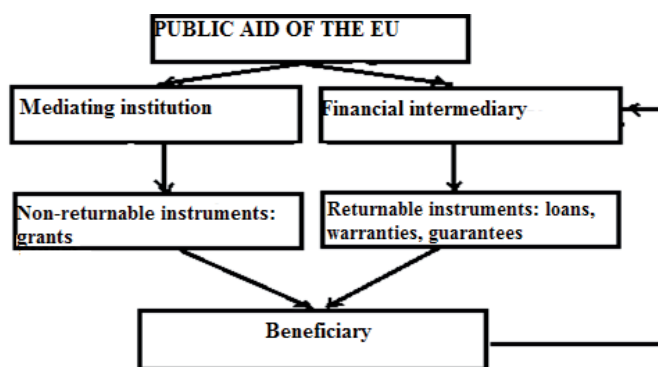


Figure 1. Returnable and non-returnable system of financial resources distribution

The analysis of Scheme 1 reveals the basic differences between the returnable and non-returnable instruments in the following areas:

- resource returnability – in case of the non-returnable instruments the obtained resources remain with the beneficiary,
- rolling-effect in case of the returnable instruments – multi-usage of the invested resources for the aim of multiplication. The resources applied once become the support for a number of entities,
- type of entity that can apply for the aid – SME and local government units apply for the nonreturnable resources through call for proposals, whereas banks, guarantee funds and loan funds, fund for development of rural areas apply for the returnable instruments. After they obtain the resources these entities distribute further in the form of credits, warranties, loans for SME and local government units.

The returnable instruments allow for the use of financial leverage: application of foreign capital, for example in the form of a loan, allows for increasing the obtained profit and the efficiency of ownership capital. The more the assets are financed by foreign capital, the lesser the ownership capital engaged in implementation of the undertaking. Due to that, the profit rate per unit of invested capital is higher. As a result, the bigger the part of assets which is financed by foreign capital, the more the share of debt servicing in the profit. For this reason the usage of the leverage is justified in case if the foreign capital interest is lower than the investment return rate (Pełka, 2012).

4. The tendencies in application of returnable and non-returnable instruments of public aid in the years 2007-2013 and 2014-2020

Since the accession into the EU, Poland has been covered by the cohesion policy of the EU and thus granted the access to the structural funds which are the main financial instrument for implementation of the EU cohesion policy and the other remaining types of common policies of the Member Countries. The structural funds are used in order to increase the economic and social cohesion of all the EU and to reduce the differences in development among the Member Countries (Dylewski 2009, p. 22). Poland was the biggest beneficiary of the structural and cohesion Funds in the financial perspective of 2007-2013, with the aid of over 67 billion Euro for implementation of the Cohesion Policy. Most of these funds were distributed by means of non-returnable grants (applying the rules of n+2). The returnable instruments in that financial perspective were only to complement the distribution system of the resources from the EU budget, dominated by the grant mechanisms. Table 2 presents the returnable and non-returnable instruments available on both local and international level in the years 2007-2013. These instruments were available through the implemented programmes. Some programmes offered

both returnable and non-returnable instruments, for example on the country level: Regional Operational Programmes, Innovative Economy Operational Programme and Development of East Poland Operational Programme. On the other hand, the Infrastructure and Environment Operational Programme held mostly the non-returnable instruments in the form of grants. On the international level the non-returnable and returnable instruments were available through the following programmes: The Framework Programme for Competition and Innovation, International Cooperation Programme of the 7th Framework Programme.

Within the time-frame of 2007-2013 the system of returnable and non-returnable instruments was fragmented, there was a lack of appointed institution for coordination of the implementation of the instruments. The returnable instruments in this time-perspective, were financed mainly within the 16 regional operational programmes and thus the support was directed towards the strategic objectives of specific region and not the objectives on the country level. In the perspective of 2014-2020 the Ministry of Regional Development will be responsible for the coordination of the goals and tasks implemented within the specific operational programmes by means of the returnable instruments on the level of both region and country.

The main rules for financing the EU's cohesion policy for the period of 2014-2020 were set out in the document "Multiannual financial frame 2014-2020". It contains the financial plan related to the strategy "Europe 2020" which assumes that the non-grant instruments will be the core financing means for the cohesion policy: credits, loans, warranties, capital shares, redemption or partial redemption of credit or loan, redemption or partial redemption of part of the interest on credit or loan (Pełka, 2012). The financial perspective of 2014-2020 assumes the increase in application of financial instruments. Additionally new returnable instruments, not used before, are planned to be introduced within the Common Agricultural and Fishing Policy. **Table 2.** Map of selected returnable and non-returnable instruments within the specific programmes in the years 2007-2013

	Program	Returnable instruments	Non-returnable instruments
Country level	Innovative Economy Operational Program	Technological credit – support for investment in implementation of new technologies by means of technological credit with possibility of partial payback from the resources of the Technological Credit Fund in form of technological premium Capital instrument – the aim is to increase accessibility to external sources of funding of the SME sector in the early stages of growth for particularly innovative entities or active in R&D. Market support VC.	Grants – support for activities that directly or indirectly entourage the establishment and development of innovative enterprises.
	Development of East Poland Operational Program	Warranties/Guaranties – in the form of Re-warranty for guarantee funds, for support of the SME sector in 5 provinces of Eastern Poland. The aim is to increase the accessibility to external sources of funding.	
	Regional Operational Program	Loans, credit, warranties within the initiative JEREMIE – the aim is to improve the application and efficiency of the resources aimed to support the SME sector in the framework of the EU funding in Poland; funds selected from the Regional Operational Program resources. Loans, guarantees within the initiative JESSICA – instrument targeting the local government units, facilitates the complex approach towards the issues of revitalization of urban areas.	Grants - the aim is to create conditions for economic growth and employment.
	Infrastructure and Environment Operational Program		Grants – the aim is to improve Poland and its region’s attractiveness as investment destination by means of technical infrastructure development and accompanying protection and improvement of the environment, health, cultural identity and territorial cohesion.
European Level	CIP - The Framework Program for Competition and Innovation	GIF – (High Growth and Innovative SME Facility) Instrument It encompasses the investments of the European Investment Fund in specialized funds of increased risk. SMEG – (SME Guarantee Facility) warranty system for SME, issuing of re-guaranties for the operating guarantee programs, issuing direct guaranties for the financial institutions. CBS – (Capacity Building Scheme) system for development of the capabilities of financial brokerage institutions increasing the supply of credit for SME by means of improvement in the financial reliability procedures in the framework of crediting for SME.	Grants for initiatives related with the educational and training programs and structural and cohesion funds for the benefit of regional convergence and competitiveness.
	International Cooperation Program	JOSEFIN – Program of the Baltic Sea Region JASSMINE – support for the market of micro-loans by means of technical assistance and financial support	
	7th Framework Program	Innovative credit for innovative projects RSFF directed towards R&D projects.	Grants for initiatives related with research, that play the key role in realization of the objectives of growth in competitiveness and employment, education and training programs and structural and cohesion fund for the benefit of regional convergence and competitiveness.

According to the forecasts, in the financial perspective of 2014-2020 the returnable instruments allocation may reach even 10 billion Euro, which may constitute 15% of the allocation (*Instrumenty...*, 2013), whereas the share of the returnable instruments in the previous perspective was about 1 billion Euro and made not more than 2% of the allocation (Pełka, 2012). The returnable instruments in the new perspective will be applied to finance activities of entities that experience difficulties in accessing external financing due to the lack of ability of credit, lack of adequate securities or lack of interest from the capital funds. The EU documents suggest preferring those instruments that ensure the highest share of private resources in project financing in order to achieve the maximum level of financial leverage. The suggested returnable instruments for 2014-2020 are presented in Table 3.

Table 3. The returnable instruments planned for 2014-2020

Returnable instruments catalogue	Assumptions
Capital Instruments	The system beneficiary Country Capital Fund, range similar to Innovative Economy Operational Program
Loan/warranty Mechanisms	Financing of high-budget key undertakings, for example in the sector of renewable energy or energy efficiency for consideration of NFOSiGW as the system beneficiary, BOS as the financial intermediary.
Loans/warranties	Financing of undertakings of lower value in the renewable energy sector and in energy efficiency, for the consideration – usage of the system offered by WFOS.
Loans/credit lines	Granted directly by the Managing Institution or Implementing Institution, similar to the activity of the Regional Financing Institution, in the form of refund of payments made for the final recipients.
Warranties	Individual warranties, portfolio, granted by guarantee Funds.
Capital instruments: seed capital	Offer the resources in exchange for shares
Mixed instruments	Combining financial instruments with grants

The financial perspective for 2014-2020 will include also instruments available on the international level, as recommended by the European Commission (*Instrumenty...*,2013):

- 1) Horizon Programme 2020, Equity and Risk Sharing Instruments combines the three programmes and initiatives available so far: 7th Framework Programme of the European Community, the Framework Programme for the Competitiveness and Innovation and the support for the European Institute for Innovation and Technology. Within this program there are three priorities: excellent scientific base, leading

position in industry and social challenges. The program will include both returnable and non-returnable instruments.

- 2) Programme for the competitiveness of enterprises and of SME (2014-2020) – it will include activities supporting the improved access of SME to financing. It covers capital instrument as well as loan guarantees.
- 3) Capital instrument for the benefit of growth (EFG) – funds offering the capital of high risk.
- 4) Loan Guarantee Instrument (LGF) – includes counter-guarantees and other solutions which aim at dividing risks for the guarantee systems and direct guarantees as well as other solutions for risk division for other financial intermediaries that are comply with the qualification criteria. LGF consists of the following instruments: loans, leasing and securitization of debt portfolios of SMEs.
- 5) “Creative Europe Programme aims at preservation of the cultural heritage and increasing the range of distribution of creative works as well as supporting the stimulation of trans-border cooperation. The program will ensure access to debt and capital financing for the cultural sector.

Previous experiences in application of the returnable instruments within the financial perspective of 2007-2013 point at many problems. Among them are: lack of legislation for the returnable funds on the country level as well as lack of clarity and high level of generalization of the EU regulations in this respect. Moreover, the European Commission tends to give disadvantageous interpretations of these unclear and over-generalized rules to the particular Management Institutions and claims back resources that were presumable inadequately spent. Another problem was the lack of possibility of warranty and loan giving before 2012 for financing of the acting capital (since 2012 there is such a possibility but it is not clear in what circumstances such support can be granted). The lack of possibility to warrant loans obtained from the funds financed from EU resources is also an inconvenience. Additionally, the launching by Bank Gospodarstwa Krajowego of a competitive instrument “Gwarancje de minimis” negatively effected the results of the guarantee funds, that act within the Regional Operational Programs. In the financial perspective of 2014-2020 there is also the need to point to the actual owner of the financial resources that are returned from particular instruments of financial engineering. To make such a distinction, there will be a requirement for a change in legislation on a country level. It should also be mentioned that in the current financial perspective there is a lack of legislation on the policies of exit from the particular returnable funds. In order to make the returnable instruments more accessible and attractive for the interested entities and to

make their implementation more smooth, the abovementioned difficulties should be improved.

Additionally, in the perspective of 2014-2020 there should be a reduction in time-consuming procedures for application for the EU resources, that negatively effect their attractiveness. There should be also an increase in the awareness of the beneficiaries about the EU funds and about their nature and availability of the returnable instruments. These instruments allow for reduction of the capital gap in the economy and thus make the capital more accessible for SMEs.

5. Conclusion

The state in the market economy has various economic and social tasks, takes on activities that stimulate the economic growth, stabilize the economic cycles, limit unemployment and make structural changes. The public aid plays the key role in the socio-economic development of the country. These tasks can be carried out by means of (among others) engagement of public resources in some entrepreneurial activities that form support for specific or selected group of enterprises. The focus of this article was a group of instruments that are part of the public expenditure and which, depending on the form, constitute the public aid offered by the state. The article presents the tendencies for application of the returnable and non-returnable instruments in the new financial perspective of 2014-2020. In this perspective, it is forecasted that the allocation for returnable instruments may reach 15% of the total allocation, whereas the share of these instruments in the previous perspective of 2007-2013 barely reached 2%. The returnable instruments, in comparison to the non-returnable ones, are not very popular among the entrepreneurs. Public aid is associated mainly with grants, as this was the most common form used during the years 2004-2006 and 2007-2013.

It is worthwhile to mention that despite many advantages of grants, there is one main disadvantage – it is of one-time use. That means that it is granted for one project and after its completion it cannot finance more. The circulation of financial resources may be ensured by the use of returnable instruments. Due to their renewable character, such financial means can be re-distributed by financial intermediaries: banks, guarantee, loans or investments funds. The returnable instruments are not much popular among entrepreneurs due to the availability of the non-returnable instruments. This results in practices such as adjusting the investment needs to the subject of the call for proposals and that creates ineffective use of the resources and makes the competitiveness imbalanced. One can conclude that as long as there are grants available in the market, that target a wide range of entrepreneurs, the returnable instruments

will not be popular. The advantages of the returnable instruments require that they outnumber the non-returnable ones, since they require to base the investments in an accurate economic account and allow for financing larger number of projects and in a longer time period.

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