

**Benedykt Puczkowski, *Assessment of the effectiveness of public funds use against the development of Polish enterprises*, Adam Marszałek Publishing Company, Toruń 2011. – recenzuje prof. dr hab. Lev Morozow.**

**Lev Morozow**

**How to increase the effectiveness of public funds administering?**

**Benedykt Puczkowski, *Assessment of the effectiveness of public funds use against the development of Polish enterprises*, Adam Marszałek Publishing Company, Toruń 2011, p. 352.**

A possibility of increasing the effectiveness of managing of public funds from the EU has been suggested in the book, which is still standing very much in the time of public finance crisis. The author, treating the public support for enterprises as “public investments”, examined their repayment rate on the basis of measurable and difficult to measure effects. Selection of factors (of variables) resulted from the author's experience and has been correlated with the expected effects (results of support), resulting from the policy of the EU cohesion. The examined problem concerns the effectiveness of using public funds directed at enterprises. Public means are being directed also into other sectors of the economy, infrastructure and environment are an example where definitely most of them were allocated. I am suggesting examining the effectiveness of public support allocated to other sectors of the economy (e.g. above mentioned infrastructure and environment, PROW, Fishing). Respecting the author's right to accept the author's research workshop one should recognize that it was accurate. The proposed model of assessment of the effectiveness of public funds against the development of Polish enterprises is an innovative, standard and appliqué model. At the same time the author is emphasizing that there is a possibility of the different selection of variables depending on needs, which makes it (the model) all the more universal. The author is proving his point on the basis of reliable macro- and microeconomic examinations, thoroughly analysing the effectiveness of the Polish economy relating to the EU, the essence of cohesion of the European Union social-economic politics as well as goals and tasks of the union funds in the harmonious development of states and regions.

It is widely known that effectiveness, i.e. relation of the effect to the input, supports the functions of rationality in the allocation of capitals of the managing subjects of circular fluctuation of incomes and expenses (of households, enterprises,

markets of the production factors and goods as well as of the state). Being guided by formulated assumptions the author aptly accepted that one should examine the effectiveness of public support application in the development of enterprises and diagnose main determinants of this effectiveness in micro- and macroeconomic areas.

The author has focused the area examinations on observation of changes in the enterprises developing thanks to financial and non-financial public means. He measured the scale of changes depending on the state and amount of capital, participation of the subsidy in investment carried out (in percentage terms) and already existing capitals and also whether and how the effectiveness of the enterprise has been changing.

He has examined the results of support manifesting themselves with the process and product innovation (measurable effects) and difficult to measure (development of human resources, improvement in the environment and industrial safety conditions). He has determined the influence of the subsidy on the increase in profitability of own capital and on cash flows and possibilities of the development. On the basis of obtained results he worked out the indicator of the enterprises' development (WRP) informing about main sources of economical diversity of the examined enterprises. He has also examined the changes in processes of managing, the transfer of new knowledge, the level of knowledge and the quality of channels transposing this knowledge into the practice - that is the effects difficult to measure. He has sought the reply to the question: in what step the public means allow for realization of the set socioeconomic-ecological purposes in the enterprises using subsidies (increase in the competitiveness of the economy, improvement in the environment, availability of work posts, technological development and others). Finally, what was the most important purpose of the work: whether and when there will be repayment of incurred investments (from the public funds of the EU and Poland) in the form of increased incomes to budget, because of e.g. taxes, smaller alternative costs of the increased employment and whether the repayment period depends on effectiveness of the funds' allocation and how to measure this effectiveness. At work among others methodological recommendations of Flejterski were used (2007, p. 166), i.e. the intellectual research inquisitiveness, the creative innovation, the criticism and at the same time the carefulness in formulating problems, the precision and the clarity of thought and the impartiality of inquiry.

The structure of the book is corresponding with the adopted purpose of the work and it is transparent and logical. The work consists of five chapters. Theoretical assumptions have been presented in the chapter one, that is the meaning of the measurement of effects and expenditure has been portrayed in the historic and practical view. Nature of the problem of effectiveness measurement as one of the most important economic categories has been introduced.

Effectiveness analysis of the Polish economy relating to the EU has been presented in chapter two, as well as the essence of cohesion of social-economic politics of the European Union and goals and tasks of the union funds in the harmonious development of states and regions. Macroeconomic indicators show substantial differences of effectiveness between Poland and so-called fifteen countries. Conditioning of outside surrounding of Polish enterprises has been analysed in the scope accessibility to innovative solutions and conditions of financing investments. Specificity of the social potential of Poland relating to other union countries has been presented. It has been shown that the economy of Poland requires considerable accelerate of development and achieving social-economic cohesion with high developed EU countries.

Chapter three is introducing contemporary conditioning of increase in effectiveness of Polish enterprises and the specificity of future (local and global) marketing surrounding. Basic macroeconomic indicators, like real increase in GDP per capita, changes of the internal demand (dependent on the extreme tendency to consumerism), increase in the international economic exchange, the state of public finance and conditions of obtaining capital as well as the labour market together with new, supranational labour competence, are decisive about the investment optimism supporting development of enterprises. Global situation of the financial system and shared financial politics as well as information and moods on world stock exchanges have great significance (how analyses from 2009 show). A regime of economic incentives and institutions: indicator of enterprise conditions is a measure of conditions of managing. Polish enterprises, after the accession to the EU, have an opportunity both of using the benefits of the open European and world market (but it also makes a threat), as well as possibility of faster adaptation to the participation in the global market - it means the implementation of process, product, organizational and marketing innovations.

A purpose of the work, scientific issues and methodological directions serving the verification of presented hypotheses have been introduced in chapter four. The study of the literature on the subject led to creating theoretical and practical assumptions to the considered research problem: using the public funds against the development of Polish enterprises while taking into consideration the measurable and indirect factors. Actions connected with the realization of horizontal policies (e.g. the development of human resources and improvement in the state of environment and industrial safety conditions - effects difficult to measure) are also important goals of public aid, apart from increase in the competitiveness of enterprises, i.e. achieving macroeconomic effects. Public aid (especially this referred to enterprises) brings out a lot of controversy amongst the supporters of classical economics. The base of the discourse is following: interference into the principles of the market economy and free competition, ineffective allocating of public means as well as possible intentionality of decision-makers with respect to beneficiaries of the help. The author assumed that there are true premises of the statement that the public aid is socially and economically justified if it is properly managed – i.e. socially and economically effective. He has ranked among the most essential indicators of the effect (apart from the increase in competitiveness, which is a condition of getting the support): structure of the society based on knowledge, equality in the access to work places, improvement in the life quality, places of employment and the state of environment. Social expectations have been described on the basis of the horizontal politics and main purposes of the Maastricht Treaty. Before the proper examinations the author had carried out a pilot study and case study.

Chapter five includes verification of the hypotheses put forward and the answers to research problems. In order to learn about economic reality and describe it the author applied a lot of methods, ranging from simple mathematical models to developed and complicated (not only in theory, but also in the economic practice) statistical and econometric methods. The result of his works is creating the standard-prognostic model of assessment of the public investments in enterprises, considering the measurable and difficult to measure factors, also fulfilling application functions.

The author has proved that the period of repayment from public investments depends on the effectiveness of their use, however effectiveness depends on the obtained measurable effects with respect to the expenditure heightened by indirect

effects. The assumed research prospect allowed for making, among others, the following scientific decisions:

- public support is triggering measurable and indirect effects;
- effectiveness of public investments is determined by direct effects;
  - measurable effectiveness is being heightened by indirect effects, i.e. with development of human resources, improvement in the state of environment and realization of horizontal policies;
- public subsidies influence the development of enterprises increasing their competitiveness;
- the measurement and assessment of public investments' effectiveness are an effective tool supporting making a decision about the back-up;
- the height of obtained support is not correlated with the growth of the measurable and indirect effects;
- effective use of public means supports the balanced development of economy in the economic-social-ecological areas.

In my opinion, the worked out postulates:

- one should limit bureaucratic barriers through more efficient service of the means' implementation;
- support should be direct at enterprises of the highest efficiency;
- to increase requirements concerning the increase in indirect effects, particularly the increase and development of export as the creator of increase in the international competitiveness;
- one should concentrate forces on the support of projects showing the increase in innovation in the international scale;
- one should more strongly and more permanently combine subsidies with cooperation and development between enterprises and research-developmental units;
- the height of granted support ought to be is correlated more strongly with the growth of measurable and indirect effects;

- it is recommended to introduce the monitoring into indirect effectiveness and the guidelines concerning public investments to be adjusted to needs,

they should be used by political decision-makers in more distant perspective of allocation of public funds in Poland.

I am recommending the book above all to practitioners of managing on the micro- and macroeconomic level and for academic teachers and students of social and economic majors. The study can successfully be used as auxiliary materials on the majors of public management as well as running a company. Recommendations have their grounds in the wide inspection of the theoretical knowledge as the basis of definite practical recommendations verified by credible empirical examinations.

Prof. Senior Lecturer Lev Morozow, The Head of Department of the Innovation and Strategic Investments, Olsztyn Prof. Tadeusz Kotarbiński Higher School of Computer Science and Management.