ECONOMIC EFFECTS OF PUBLIC AND PRIVATE SOURCES

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ABSTRACT

In the 2014-2020 programming period Hungary has been allocated very large amounts of funding sources from the European Structural and Investment Funds (ESIF). For the implementation of funds, a number of options are available, such as non-repayable grants and also financial instruments, including loans, equity and grants combined with loans. Hungary has decided to make a wide use of each of these funding options with significant funds being allocated to financial instruments. These latter sources are primarily used to fill the market gaps in the funding of companies' projects.

The research paper aims firstly to present the different public and private funding sources available in Hungary and secondly their effect on SMEs and larger companies is investigated. Besides the sources originating from the EU, the research will also focus on what scale public and private (commercial banks as well!) sources are used for economic development and how they compare with EU funds. The ultimate goal is to show whether the EU funds contributed to the development of the Hungarian economy at micro level or not.

The data to be analyzed in the paper will be obtained through desk based research on the available funds and from public databases and other available sources regarding their use and effects.

The data analysis has focused on the effects of economic development on enterprises: employment, productivity and sales. The related research questions were how the different funds contributed to the development of the beneficiary enterprises, whether there is a difference in the scale of the effects for the *different types of funding*, *and for the different types of firms*. It is expected that the findings will show that EU funds should have an effect on the development of enterprises, and although we had some concerns about the scale of it, our research result confirmed this expectation.

Key words: cohesion policy, counterfactual evaluation, policy impact, grants, financial instruments