Chapter 5: Firm Size, EU Funds and their Distribution

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Introduction (2-3 pages)
Motivations and main research questions. The structure of the chapter.

1. Literature review (5-6 pages)
Firm size and productivity - presentation of key theoretical results and previous empirical findings.
The EU subsidies from the developed EU Member States to the new member states that joined in 2004 and 2006 can be interpreted as a form of foreign aid. Accordingly, the international theoretical and empirical literature on corruption and foreign aid problems should be taken into account. In the first part of the study, we summarize the most important results of this literature.

2. Firm size distribution and its impact on productivity in the last decade (10-12 pages)
This section gives a deep overview and analysis of the firm size distribution in the EU28 and in the countries of the CEE region.
Firms groups by size (available in SBS): micro (0-9 person), small 1 (10-19), small 2 (20-49), medium (50-249), large (over 50 persons)
Indicators to be analyzed:
• share of firm size groups in the number of firms, value added and persons employed
• their shifts in the period during the period considered
• labour productivity difference between firm size groups in different countries and changes between 2010 and 2018 in the national economies and in some sectors (manufacturing, construction industry and trade)
• decomposition of the productivity change in the business sector into structural shifts and productivity change within firm size groups.
Statistical data source: Eurostat Structural Business Statistics (SBS).

3. The impact of the EU funds on the level of corruption in the recipient countries. Analysis based on European public procurement contracts from 2006 to 2018 (14-16 pages)
This section raises two issues: (i) the impact of the EU funds on the level of corruption in the recipient countries; and (ii) the impact of the anti-corruption measures of the EU institutions (EU Commission, OLAF) on the level of corruption risk at the public tenders financed by the EU funds.
The analysis is based on the EU TED contract level dataset available from 2006 to 2018 at [https://data.europa.eu/euodp/hu/data/dataset/ted-csv](https://data.europa.eu/euodp/hu/data/dataset/ted-csv). We analyse the level of corruption risk of the EU funded and the non-EU funded public tenders based on data from 3.6 million public tenders conducted from 2006 to 2018. Based on our own previous research results (Fazekas et al. 2013; Fazekas and Tóth, 2017; Tóth and Hajdu, 2017; Tóth and Hajdu, 2020; CRCB, 2020) we measure the corruption risks and the intensity of competition using several different indicators.

For the analysis, we select three groups of countries:

(i) the new member states (V4, Slovenia, the Baltic States, Romania, and Bulgaria),

(ii) Southern European countries (FR, PT, ES, IT, GR) and

(iii) as benchmark eight developed countries (AT, BE, DE, DK, IE, NL, NO, SE).

4. Discussion and challenges (5-6 pages)

In this section, we summarize and discuss our main findings and deal with the related economic policy challenges. We also specifically address the challenges of the COVID-19 pandemic. We deal with the possible impact of COVID-19 pandemic on the performance of SMEs and other companies and the level of corruption risk.

(in total 36 – 43 pages)