



Counterfactual impact evaluation

The experience of DG Regional Policy

Daniel Mouqué

DG Regional Policy, European Commission



Enterprise and innovation support

- **€80 billion in EU Regional policy 2007-13**
- **Main instrument grants (but also loans, guarantees, venture capital, business advice, networking, incubators etc)**
- **Would like to see impacts in terms of jobs, productivity and regional growth**
- **Pre-2008, roughly 80% process evals (& most impact evals beneficiary survey)**



From 2008: counterfactuals in EU Regional Policy

- We have led evals of 8 schemes, partnered on 4 more
- Mouqué (Regional Focus, 2012) summarises for €40 billion in 7 MSs to >235,000 firms
- 3 summer schools => more studies coming from MS partners

Where do we get our control groups?

- 1. Accidental randomness (Piedmonte & PL)**
 - 2. Discontinuity designs (eg rejected applicants under Law 488 in Italy)**
 - 3. Matching techniques (eg innovation in DE)**
 - 4. Simple matching, difference-in-difference... and a health warning! (CZ, URBAN)**
- Future: deliberate, random variation in treatment?**
 - Finding good control group with large n remains a limiting factor**

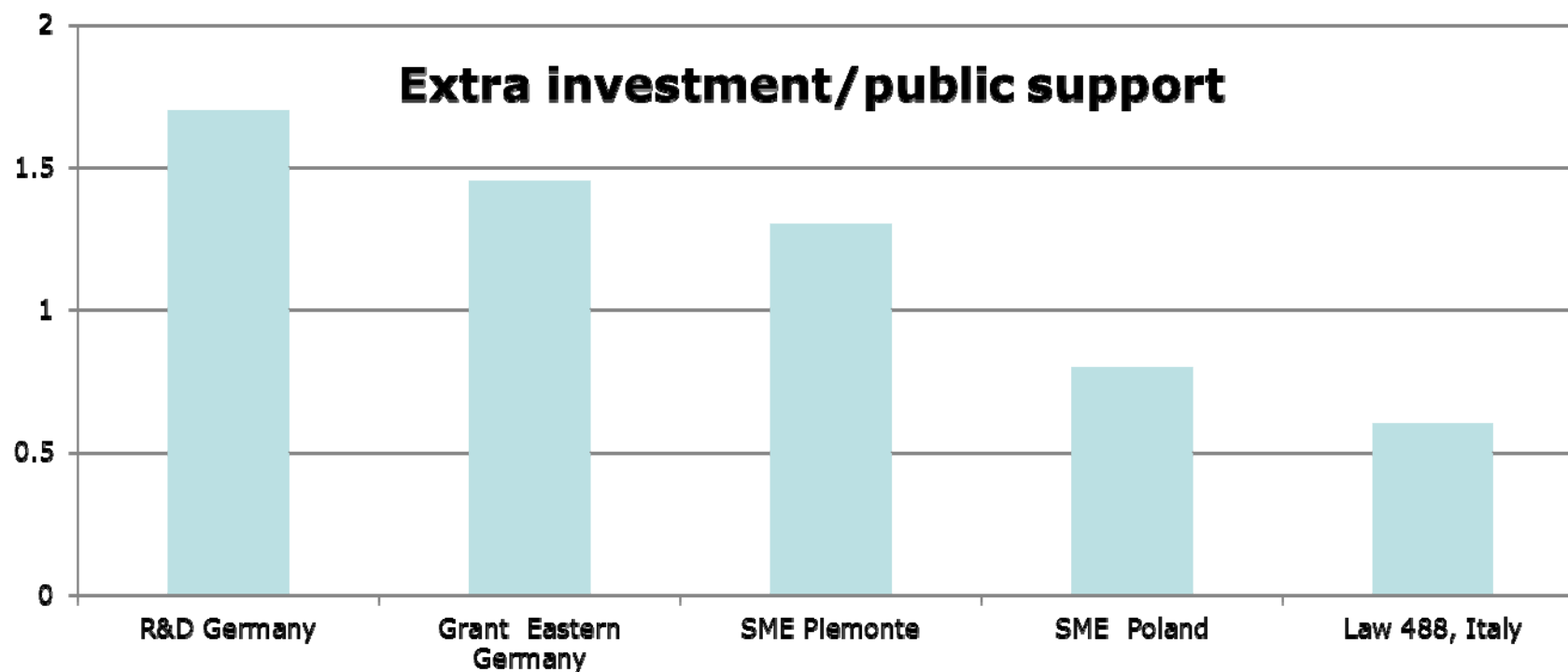
What other practical issues? Data!

- **On the intervention (nature, scale, dates)**
- **On target indicators (before and after, including for non-beneficiaries)**
- **Confidentiality/access is an issue, we have:**
 - signed agreements with various providers
 - mandated public access of intervention data for 2014-20 period, in user friendly format (Excel/CSV)
- **Linking is an issue, we have:**
 - tightened reporting requirements for new 2014-20 period
- **Still a limiting factor**



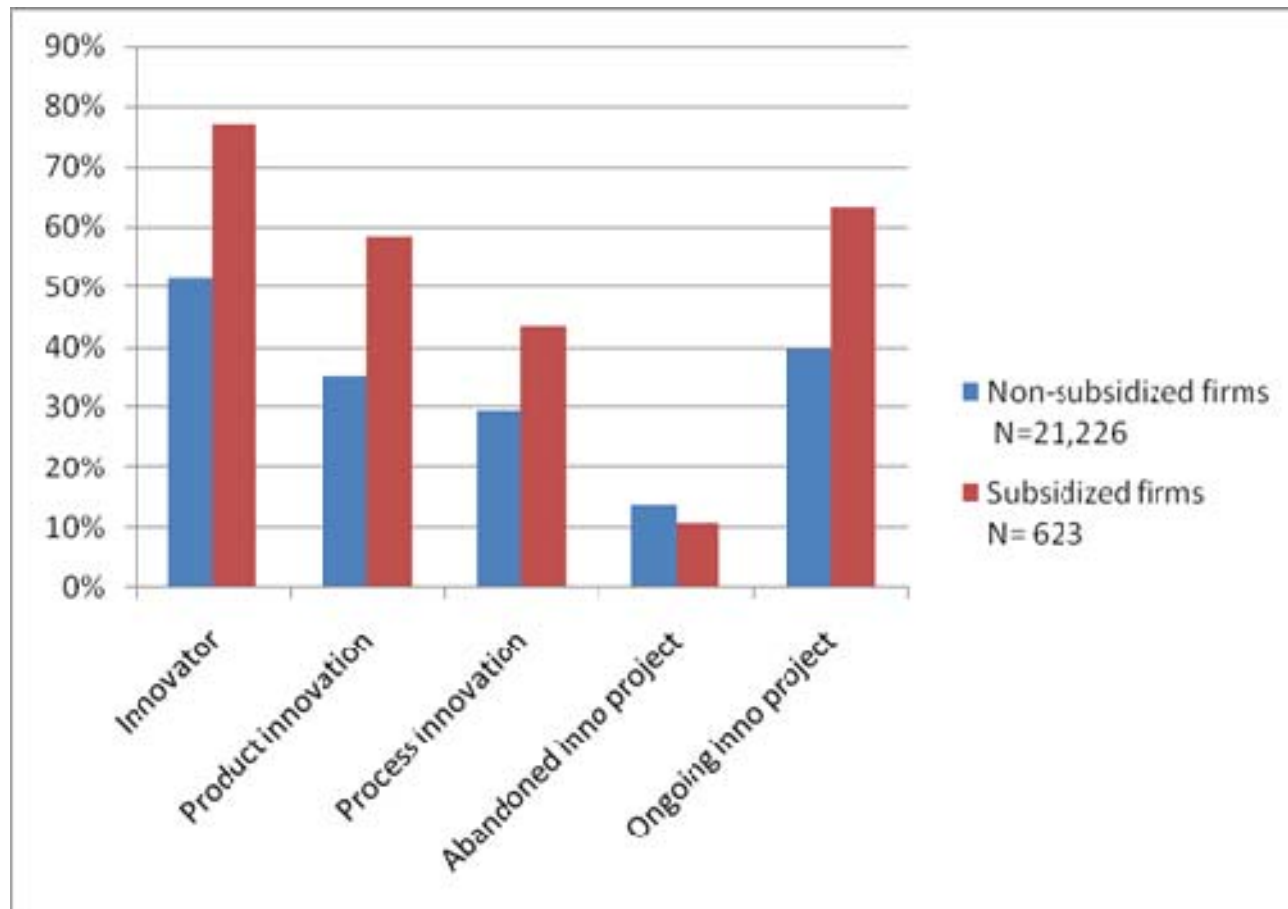
What policy implications?

Support boosts SME investment (First resolution to old debate)



Support can also boost innovation

CIS indicis, Germany (Czarnitzki, 2011)



But in many schemes, firms tended to broaden, not deepen (ie to increase production, not productivity)

Jobs created, but < monitoring data

Scheme	Study	Jobs supported (monitoring)	Jobs created (from CF)
Investment support, E. Germany	GEFRA/IAB (2010)	107,000 "created", plus 439,000 "safeguarded"	27,000
Law 488 invest support, IT	Bondonio & Martini (2012)	36,000 "net jobs created" (beneficiary survey)	12,000
SME invest grants, PL	Trzciński (2011)	25,000 "created"	10,500



But job quality good

- **Bondonio & Martini (2012) average firm salary and productivity same or slightly greater**
- **Trzciński (2011) jobs created in SMEs received similar pay rises to those in the control group – and that jobs were maintained five years after support.**

Small is beautiful 1 – the firms

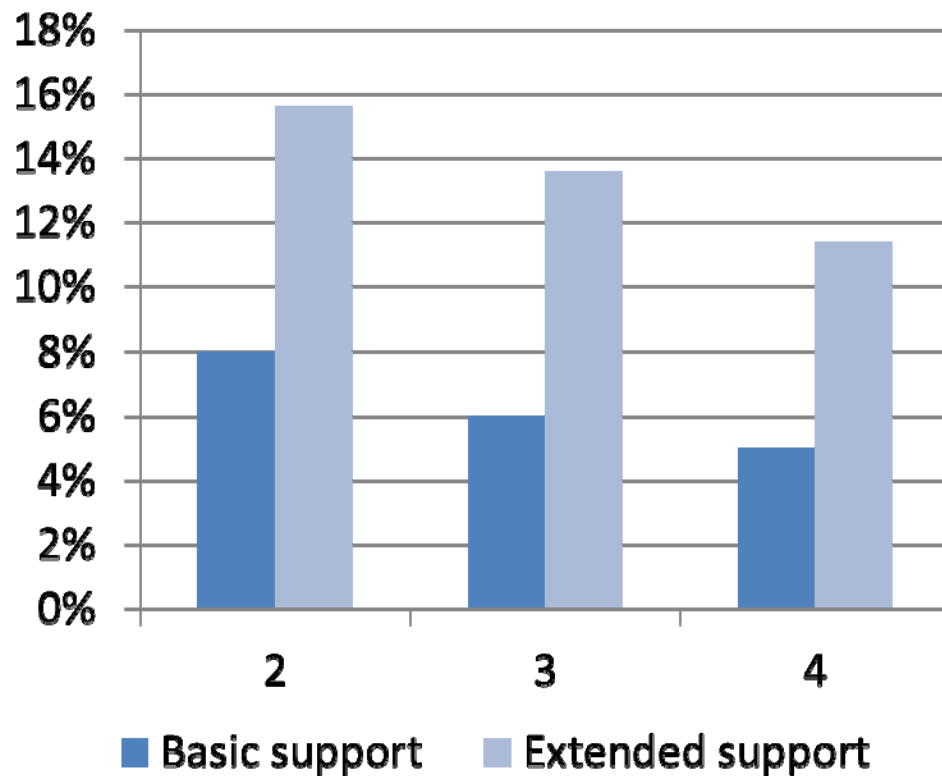
Scheme	Study	Finding on large enterprises	Comparison between SME size classes
Investment grants, IT	ASVAPP (2012)	No or negative impact firms >250 employees	Thorough exam: no difference
RSA invest grants, UK	Crisculo et al (2012)	No impact for firms > 150 employees	Impacts slightly higher for firms < 50 employees?
DK Innovation Consortia	CEBR, Denmark (2010)	No impacts for firms > 150 employees	Not examined
Innovation support, DE	Czarnitzki et al (2011)	Small much better, but firm or grant size?	Smaller may do better
Invest support, E. Germany	GEFRA/IAB (2010)	(Did not study large enterprises)	No difference by SME size class



Small is beautiful 2 – the support

- **ASVAPP (2012) even controlling for firm size, smaller grants more effective (cpj €79,000 for smallest grants, rising to €489,000 for largest).**
- **ASVAPP (2012) outright grant to SMEs similar effect to soft loan of same size**
- **Czarnitzki et al (2011) presence or absence of a grant was the crucial factor - smallest grants had almost the same innovation impact as the largest**
- **Comparing across studies: schemes of smaller support tended to have better results (eg RSA, UK)**

Hints that business advice can be cost effective?



*Better survival rates than non-supported 2-4 years later in North Jutland?
€7500/net firm?
€1500/net job?
(Rotger and Gørtz, 2009)*



Real world policy impact?

- **Block grants to large enterprises excluded from Cohesion Policy in 2014-20 (previously €10 bn)**
- **Encouraging financial instruments, soft support in the drafting of 2014-20 programmes**
- **The new round of State Aids guidelines? 😊**



Next steps

We have already learned a lot from this method, not learned (or not proven) any other way

But the picture far from complete:

- **Extend to more schemes in more countries**
- **Extend to more forms of support (financial instruments, soft support)**
- **Complement with other methods, eg case studies to understand SME size and capital constraints, what boosts innovation/learning etc**



Beware the man whose only tool is a hammer...

... for every problem comes to resemble a nail

- *Abraham Maslow*



European
Commission



Regional
Policy



For further information

InfoRegio:

ec.europa.eu/info regio

Mouqué (Regional Focus, 2012)

"What are counterfactual impact evaluations teaching us about enterprise and innovation support?"

http://ec.europa.eu/regional_policy/sources/docgen/ener/focus/2012_02_counterfactual.pdf