



Department
for Business
Innovation & Skills

The Evaluation of UK Regional Aid Programmes

Ruth Anderton, BIS

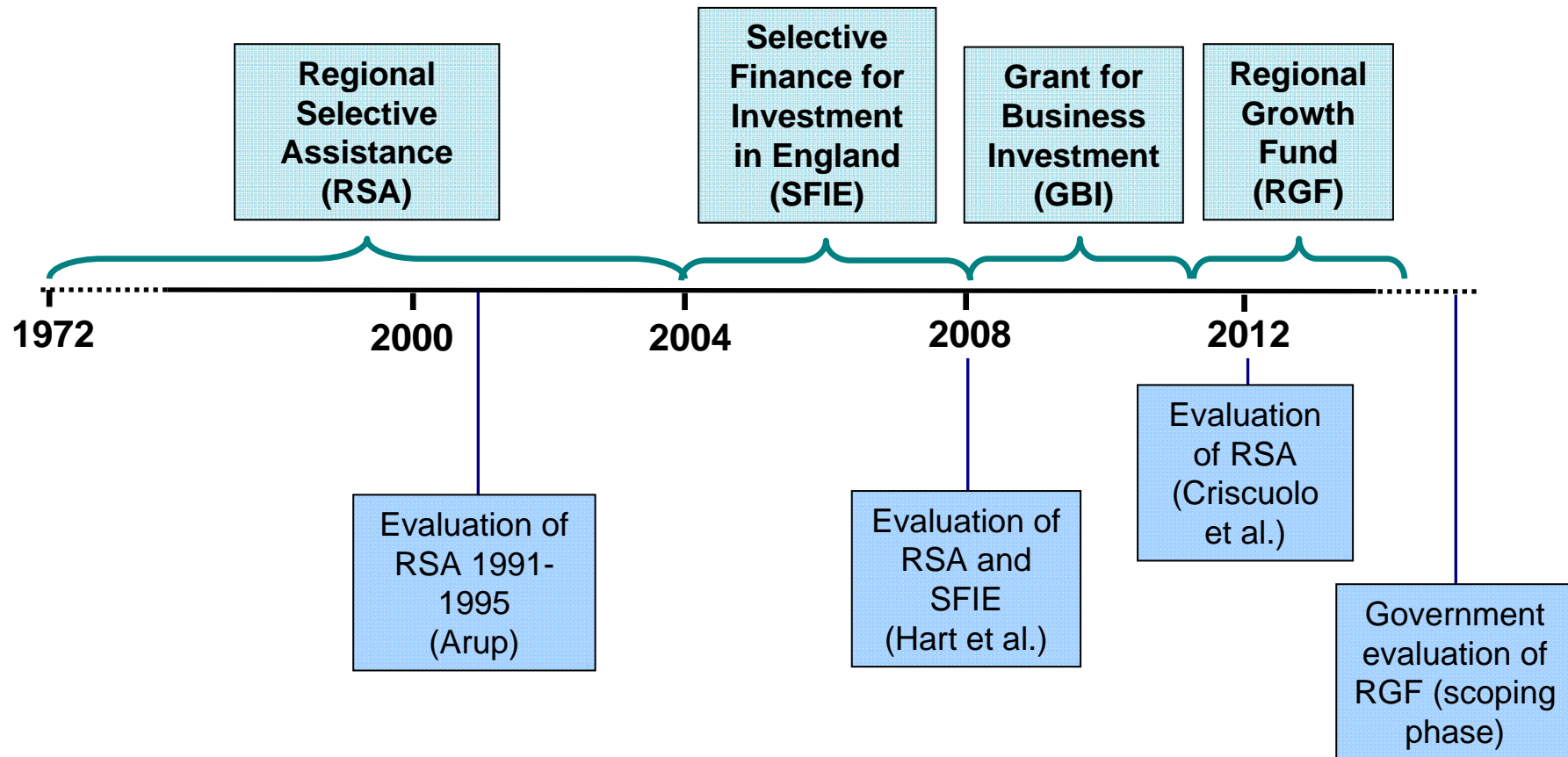


Outline...

- Background of regional aid policy in the UK
- What is the UK's approach to evaluation?
- What methodology has been applied?
- How has evaluation impacted policy design?
- What are the lessons for evaluation of State aid interventions?



Background





Evaluation of Regional Aid policies

2001 “*Evaluation of Regional Selective Assistance 1991-1995*”, Arup Economics and Planning

2008 “*Evaluation of Regional Selective Assistance (RSA) and its successor, Selective Finance for Investment in England (SFIE)*”, Hart et al.

2012 “*The Causal Effects of an Industrial Policy*”, Criscuolo et al.

2013 Scoping of Regional Growth Fund evaluation



Evaluation design

- Seek to identify the impact and effectiveness of aid to firms against scheme objectives
- Do not consider impact on competition and trade
- Do not use random assignment to treatment, or piloting
- Seek to measure the outcome for assisted firms compared to the counterfactual
- More recent evaluations apply “quasi-experimental” techniques
 - estimate the causal impact of treatment
 - attempt to simulate a robust control group by controlling for other factors
 - aim to address problem of selection effects



2001 – *Evaluation of RSA 1991-1995*

- Methodology:
 - The methodology broadly followed that used in earlier RSA evaluations.
 - Focus on employment as measure of impact
 - Combines three main approaches:
 - the analysis of data on recipients held on the Selective Assistance Management Information System (SAMIS)
 - survey of supported projects by questionnaire and interview
 - discussions with case officers and regional development organisations



2001 – *Evaluation of RSA 1991-1995*

- Good practice:
 - SAMIS monitoring data and survey combine to provide good quality data on participants and programme costs
- Limitations:
 - No attempt to identify a control group
 - No data on non-participants
 - Evaluation relies on self-reported additionality and displacement
 - This limits the extent to which the true causal effects of assistance could be identified



2008 - *Evaluation of RSA and its successor, SFIE*

- Methodology:
 - Quasi-experimental - Matching
 - telephone survey of beneficiary and non-assisted firms
 - survey collected data on outcomes and performance including employment, turnover, innovation (self-reported)
 - control variables including firm characteristics, market position, motivation for scheme assistance, alternative finance and assistance
 - methodology aims to identify and isolate the effects of support by controlling for other factors which may influence likelihood of receiving assistance



2008 - *Evaluation of RSA and its successor, SFIE*

- Methodology:
 - Qualitative
 - SFIE case studies of assisted firms
 - to assess the extent of wider benefits (e.g.. spillovers, skills enhancement), additionality and impact on the business.
 - Case officer survey
 - to examine the appraisal and monitoring of applications to SFIE scheme



2008 - *Evaluation of RSA and its successor, SFIE*

- Good practice:
 - Large sample size of main survey
 - High level of detail on each firm from survey
 - Robust counterfactual
 - High quality administrative data
 - Process evaluation
- Limitations:
 - Short time period from launch of SFIE
 - Based on survey of respondents
 - No estimates of displacement or multiplier effects
 - Self-assessment of additionality
 - Timing



2008 - *Evaluation of RSA and its successor, SFIE*

- Key findings:

 - RSA:**

 - stimulates employment growth

 - SFIE:**

 - partial additionality identified in majority of cases
 - complete additionality in a fifth of cases
 - low levels of deadweight
 - evaluation highlighted operational issues with the scheme

- Outcome:

 - Evidence to support continuation of the scheme
 - SFIE explicitly incorporated GVA test and skills test to make outcomes measurable and move towards higher quality projects



2012 - *The Causal Effects of an Industrial Policy*

- Methodology:
 - aims to address the issue of selection bias by exploiting the EU rules governing the eligibility of UK areas for the policy
 - takes an area based approach, looking at areas that gained or lost eligibility over time
 - links rich administrative panel data on population of RSA program participants and population of British plants and firms over past 20 years
 - matches firms by assigning a probability of treatment to identify control group to compare to the treatment group



2012 - *The Causal Effects of an Industrial Policy*

- Good practice:
 - Good quality dataset
 - Consider impacts at different levels of regional aggregation
 - Aims to identify counterfactual through matching methods
- Limitations:
 - Relies on a narrow set of indicators
 - Does not capture wider economic impacts
 - Potential selection bias associated with areas eligible for aid - could lead to underestimation of treatment effects



2012 - *The Causal Effects of an Industrial Policy*

- Key findings:
 - positive program treatment effect in key variables
 - policy raises area level employment and significantly reduces unemployment i.e. not just substitution of employment
 - positive treatment effect confined to small firms and does not carry over larger firms
 - Excluded positive spillovers and wider benefits
 - Potential for “gaming” by larger firms
- Outcome:
 - Re-enforced rationale for the previous introduction of more rigorous additionality assessment as part of appraisal and implementation of GBI to limit risk of “gaming” by large firms



2013 - Scoping research: Evaluation of RGF

- Proposed evaluation methodology:
 - **Quasi-experimental** approaches to capture firm level impacts, adjusting for selection
 - **Matching:** expected to be the primary approach for identification of a counterfactual
 - **Mixed methods:** due to variation in the type of beneficiary matching may not be possible for all - multiple approaches are expected to be applied to capture cases where matching is not possible
 - Full economic evaluation to capture **area level impacts** and assess the **direct and indirect effects** of the RGF on the local economy including spillovers and agglomeration effects
 - Process evaluation to understand customer journey and effectiveness of the delivery mechanism



2013 - Scoping research: Evaluation of RGF

- Good practice:
 - **Monitoring data** collected frequently and independently reviewed
 - Engagement with key **internal and external stakeholders** to rigorously examine the chosen methodology for the impact and economic evaluations
 - Proposes use of the most robust methods where possible, but allowing for **mixed methods** to increase coverage
 - Economic evaluation to take into account both direct firm level effects and area effects incl. **wider benefits** (e.g. spillovers and agglomeration effects)
- Outcomes:
 - Regional Growth Fund was introduced as a competitive process with the aim of increasing the value for money and impact of aid to firms
 - Evaluation will identify the impact of the programme, and the effectiveness of the delivery mechanism



Lessons

- Robust evaluation requires high **quality monitoring data**
- Methods applied should assess the effectiveness of schemes against **objectives**, but not be limited to a narrow set of outputs/ outcomes
- Robust evaluations techniques should be applied to **control for selection**
- However, without random assignment, all quasi-experimental approaches will have their limitations
- Increasing focus on **mixed methods** – applying the most robust methodology where possible, but using alternative methods where necessary
- Quantitative evaluation should be supplemented with qualitative research to understand **why** scheme was or wasn't successful
- Challenges associated with executing robust evaluation vary across State aid interventions, with greater **methodological challenges** in some areas than others